DECISIONS

OF THE

RAILROAD COMMISSION

OF THE

STATE OF CALIFORNIA

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CALIFORNIA RAILROAD COMMISSION DECISIONS.

DECISION No. 7331.

IN THE MATTER OF THE APPLICATION OF MANOR WATER COMPANY, A CORPORATION, FOR AUTHORIZATION AND PERMISSION TO SELL AND CONVEY PART OF ITS CAPITAL ASSETS TO MARIN MUNICIPAL WATER DISTRICT.

Application No. 5446.

Decided April 3, 1920.

BY THE COMMISSION.

ORDER.

Manor Water Company is a public utility water company engaged in the business of pumping and distributing water to residents of communities known as Fairfax Manor and Manor tracts, located in Marin County, California. In the application herein Manor Water Company asks for permission to sell certain property and pumping equipment more fully described in the application and hereby referred to and made a part hereof, to Marin Municipal Water District, and the latter has joined in said application.

It appears that this is not a matter in which a public hearing is necessary and that public convenience will be served by the granting of the application herein; and, therefore,

It is hereby ordered, that the above entitled application be, and the same is hereby, granted, on the following conditions:

1. The authority herein granted to transfer said water system shall apply only to such transfer as may have been made on or before June 30, 1920, and a certified copy of the instrument of conveyance transferring the properties herein authorized to be transferred shall be filed by Manor Water Company with the Railroad Commission within thirty (30) days of the date on which it is executed.

2. Within ten (10) days from the time when Manor Water Company actually relinquishes possession and control of the properties herein authorized to be transferred, said company shall file a certified statement with the Commission indicating the date of such transfer.

Dated at San Francisco, California, this third day of April, 1920.

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DECISION NO. 7332.

IN THE MATTER OF THE APPLICATION OF THE SACRAMENTO VALLEY WEST SIDE CANAL COMPANY, A CORPORATION, ALGER FAST, AS RECEIVER OF SAID SACRAMENTO VALLEY WEST SIDE CANAL COMPANY, SACRAMENTO VALLEY COMMITTEE, AND GLENN-COLUSA IRRIGATION DISTRICT, FOR THE ORDER AUTHORIZING SAID SACRAMENTO VALLEY WEST SIDE CANAL COMPANY AND SAID ALGER FAST AS RECEIVER THEREOF, TO LEASE THE CANAL AND IRRIGATION SYSTEM OF SAID SACRAMENTO VALLEY WEST SIDE CANAL COMPANY, WHICH SAID LEASE CONTAINS AN OPTION OF PURCHASE, TO SAID GLENN-COLUSA IRRIGATION DISTRICT.

Application No. 5454.

Decided April 3, 1920.

BY THE COMMISSION.

ORDER.

Sacramento Valley West Side Canal Company is a public utility water company of which Alger Fast is receiver, and engaged in the operation and management of the canal and irrigation system of said company, which delivers water for irrigation purposes in the counties of Glenn and Colusa, State of California, a detailed description of the properties of said system being attached to the application herein and marked "Exhibit A."

In the above entitled matter, Sacramento Valley West Side Canal Company, Alger Fast, receiver, makes application to the Railroad Commission for authority to lease its said canal and irrigation system to the Glenn-Colusa Irrigation District, being an irrigation district organized and existing under and by virtue of that certain act of the Legislature of California known as the "California Irrigation District Act," and the Glenn-Colusa Irrigation District has joined with the said West Side Canal Company, Alger Fast, receiver, in said application, in accordance with the terms of a certain proposed lease, copy of which is attached to the application herein and hereby referred to and made a part hereof, which lease contains an option of purchase, it being alleged that said purchase is to be consummated at such time as bonds shall have been voted by said Glenn-Colusa Irrigation District for that purpose.

The Sacramento Valley Committee referred to in the above entitled matter is a committee appointed by and representing more than 99 per cent of the bondholders under the deed of trust upon the canal and irrigation system of said Sacramento Valley West Side Canal Company, and said committee has joined in the application herein, it being alleged by all petitioners hereto that the proposed transfer is for the best interest of the landowners within the district served with water from said canal and irrigation system.

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And it appearing to the Commission that this is not a matter in which a public hearing is necessary and that the application should be granted;

It is hereby ordered, that the above entitled application be and the same is hereby granted, upon the following conditions:

(1) That the property be leased as provided in the form of lease attached to the application herein and marked "Exhibit 1."

(2) That a certified copy of the lease as executed be filed with this Commission on or before May 1, 1920.

(3) That Alger Fast, as receiver of the Sacramento Valley West Side Canal Company, a corporation, file with this Commission a certified copy of the executed contract of sale within ten (10) days from the execution thereof.

(4) That within ten (10) days of the time when Sacramento Valley West Side Canal Company, Alger Fast, receiver, actually relinquishes possession and control of its properties under said lease agreement, a certified statement shall be filed with the Railroad Commission by said Alger Fast, receiver, indicating the date upon which such transfer became effective.

Dated at San Francisco, California, this third day of April, 1920.

DECISION No. 7338.

IN THE MATTER OF THE APPLICATION OF LOS ANGELES-SAN PEDRO TRANSPORTATION COMPANY, INCORPORATED, FOR ORDER AUTHORIZING EXECUTION OF LEASE CONTRACT AND NOTES.

Application No. 5256.

Decided April 3, 1920.

BY THE COMMISSION.

FIRST SUPPLEMENTAL ORDER.

Whereas, the Railroad Commission by Decision No. 7087, dated February 5, 1920, authorized Los Angeles-San Pedro Transportation Company, Incorporated, to execute a lease contract for the purpose of leasing and purchasing a 6-ton Packard truck and to issue in part payment thereof, fifteen 8 per cent notes of an aggregate face value of $4,470; and

Whereas, applicant now asks permission, in lieu of issuing notes as provided for in said Decision No. 7087, to issue to First National Bank of San Pedro its 7 per cent $5,000 note payable in monthly installments of $250 each, and use the proceeds to pay for said truck; and it appearing to the Railroad Commission that applicant's request should be granted; now, therefore,

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It is hereby ordered, that Decision No. 7087, dated February 5, 1920, be, and it is hereby modified so as to permit Los Angeles-San Pedro Transportation Company, Incorporated, to issue a 7 per cent $5,000 note payable in monthly installments of $250 each in lieu of the fifteen 8 per cent notes aggregating $4,470, the issue of which is authorized in Decision No. 7087; said $5,000 note to be issued for the purpose of obtaining moneys to pay in part for the 6-ton Packard truck described in the petition herein.

It is hereby further ordered, that Decision No. 7087, dated February 5, 1920, shall remain in full force and effect, except as modified by this first supplemental order.

Dated at San Francisco, California, this third day of April, 1920.

DECISION NO. 7343.

IN THE MATTER OF THE APPLICATION OF DEPUE WAREHOUSE COMPANY, A CORPORATION, FOR A PERMIT AUTHORIZING IT TO ISSUE AND SELL STOCK.

Application No. 5293.

Decided April 3, 1920.

Goodfellow, Eels, Moore and Orrick, by *C. J. Goodell*, for Applicant.

BY THE COMMISSION.

OPINION.

DePue Warehouse Company asks permission to issue at par $37,000 of its common capital stock.

A hearing was held on this application before Examiner Westover in San Francisco.

The record shows that DePue Warehouse Company was organized in January, 1912, with an authorized capital stock issue of $100,000, of which $63,000 is outstanding. In Exhibit No. 1, applicant reports assets and liabilities as of December 31, 1919, as follows:

Assets.

Real estate	$22,360 00	
Buildings	135,164 88	
Warehouse equipment	16,609 67	
Autos and trucks	5,254 21	
Office furniture and fixtures	2,232 20	
Investments	17,654 92	
Cash	3,967 83	
Accounts receivable	49,688 09	
Notes receivable	5,000 00	
Deferred debit items	9,310 47	
Total assets		$267,242 27

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Liabilities.

Capital stock	$63,000	00
Notes payable	3,000	00
Accounts payable	40,779	86
Wages payable	2,405	23
Rentals due and unpaid	370	40
Dividend reserve	3,575	00
Interest accrued	23	00
Deferred credit items	2,165	06
Reserves	52,932	24
Surplus	98,991	48
Total liabilities	$267,242	27

For 1918 applicant reports operating revenues of $261,422.01 and for 1919 operating revenues of $219,220.93. After paying operating expenses, taxes, interest and other charges, the company for 1918 reported a net corporate income of $60,960.36, and for 1919 a net corporate income of $31,882.41.

Applicant reports that the $37,000 of stock, which it desires permission to issue, will be acquired by present stockholders, and that it is in need of funds to pay for capital investment. It reports that during 1919 it constructed a warehouse at Delevan costing approximately $27,000; that during the same year it contracted for the purchase of the Stovall-Wilcoxson warehouse at Williams at a cost of $30,000, and that it is now engaged in constructing a new warehouse at Berlin, which will cost approximately $20,000, to replace a warehouse destroyed by fire, on which it collected $6,000 of insurance. The warehouse so destroyed was valued by applicant in excess of $7,000. Reports on file with the Commission show that applicant has expended out of income for permanent additions and betterments to its properties an amount in excess of the value of the warehouse destroyed by fire. On account of such investment, applicant may properly be permitted to issue stock to reimburse its treasury and for the purpose of constructing and acquiring the warehouses and properties referred to in the petition herein.

ORDER.

DePue Warehouse Company having asked permission to issue $37,000 of its common capital stock, a public hearing having been held, and the Commission being of the opinion that the money, property or labor to be procured by applicant for the issue of such stock is reasonably required by it, and that this application should be granted;

It is hereby ordered, that DePue Warehouse Company be and it is hereby authorized to issue and sell at not less than par for cash on or before November 1, 1920, $37,000 of its common capital stock and use the proceeds for the purpose of reimbursing its treasury and paying for the construction and the acquisition of the warehouse properties referred to in the amended petition herein;

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Provided, that applicant will keep such record of the issue and sale of the stock herein authorized and of the disposition of the proceeds as will enable it to file on or before the twenty-fifth day of each month a verified report, as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

Dated at San Francisco, California, this third day of April, 1920.

DECISION NO. 7350.

IGNATZ SCHULHOF

vs.

IAMOSA WATER COMPANY.

Case No. 1361.

Decided April 3, 1920.

MUTUAL WATER COMPANIES—SERVICE FROM.—When it is clearly established that a water distributing system has been organized and is operating solely as a mutual company as defined under the provisions of section 2, chapter 80, Laws of 1913, the Railroad Commission has no jurisdiction to compel such a company to deliver water for irrigation purposes to a nonstockholder.

Complaint dismissed.

Ignatz Schulhof, in propria persona.

Leonard Suhr and Hillyer, for Defendant.

BY THE COMMISSION.

OPINION.

Complainant alleges that he owns land within the district served by defendant with irrigation water; that defendant is a public utility; that he has applied to it for irrigation service but that defendant refuses to serve him. The answer denies that defendant is a public utility and alleges that it serves only its stockholders as a mutual water company; that no part of its water has been dedicated to public use; that complainant owns no stock of defendant company and that the Commission is without jurisdiction in the premises.

A public hearing in the matter was held by Examiner Westover in Los Angeles.

The water served by defendant originates in Cucamonga Canyon, San Bernardino County, and is distributed in the vicinity of Alta Loma in that county.

Most of the land served is in what was originally known as the Iowa Colony lands, consisting of 500 acres, divided into 25 lots of 20 acres each, practically all of which are now covered with bearing citrus groves. With the tract of 500 acres was originally deeded 86/300ths of the water flowing in Cucamonga Creek. The tract, with proportionate amounts of water, was deeded to various individuals

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who subsequently organized defendant Iamosa Water Company, as a mutual water company, and deeded to it the water rights acquired by them with said lands. The company subsequently received conveyances of 59/300ths of the water in the creek, and now claims 145/300ths thereof.

About 1888 a flume in the canyon used for conveying creek water was washed out by flood and defendant's predecessors in interest, with other claimants of water in the canyon, constructed the present pipe line in the canyon with suitable flume and a tunnel for the purpose of developing additional water and conveying all of the water to the mouth of the canyon. For the purpose of making these improvements, the claimants of the water, who had advanced the money for the improvements, organized a corporation known as Cucamonga Development Company as a mutual water company with a capital stock of 1200 shares which was distributed to the parties in interest in the ratio of four shares for each 1/300th part of the water. Defendant's predecessors in interest thus received 344 shares, which subsequently came to defendant with the water rights referred to. Defendant subsequently acquired 59/300ths interest in the water but did not acquire additional development stock in connection with it. The works of the Cucamonga Development Company bring water to the mouth of the canyon to a point known as Sontag's sand box. From this point to the 500 acre tract referred to, a distance of about 2½ miles, the water of land owners in the tract was originally conveyed by flume.

A short distance west of the colony lands is the Cornelian street tract belonging to a small group of individuals who also acquired with their lands water rights in the canyon in the same proportions as land owners in the Iowa Colony tract. They also originally maintained a flume to convey their water from the Sontag sand box to their lands. Subsequently these two flumes were replaced by a joint pipe line which now belongs to defendant company and the individual land owners in the Cornelian street tract. The officers of defendant company and of Cucamonga Development Company are the same. For convenience in operation the joint pipe line is operated by defendant, and the expense apportioned between its stockholders and the individual owners.

Defendant and the Cornelian street group provided for the use of canyon water to such an extent that they control 8/9ths of the total water flowing and developed in the canyon. The flow falls to about 56 miner's inches minimum in dry years. To supplement the supply defendant operates wells and pumping plant on the colony tract but at such elevation that it can distribute well water only on the southern 200 acres of the tract and not at the elevation of complainant's land.

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Complainant's land lies to the west of the two tracts referred to and about midway between the Sontag sand box and the Iowa Colony lands. It could be served from the joint pipe line on which it abuts. Complainant acquired with his land by deed 1 300ths of the water in Cucamonga Creek. He has no stock in Cucamonga Development Company which transmits water out of the canyon and he does not own an interest in the joint pipe line passing his land and has no present means of bringing his water to his land.

Complainant sought to show that certain individuals who were not stockholders in defendant company had purchased water from it. In the instances relied upon, however, it appears that some were served through the Cornelian street line and not by defendant, others received domestic water under deeded rights, while one not a stockholder made an unauthorized connection with the pipe of a stockholder, and used water without charge or payment, but for several years has been charged for water and it has been paid for in adjustment of accounts. It also appears that defendant for many years served domestic as well as irrigation water to its stockholders; and finding an excessive use, a few years ago it installed meters and began charging for water served in excess of a fixed allowance. This was done to prevent waste. The proceeds, however, are used in defraying the cost of operation, together with funds derived from assessments of stock.

The circumstances described clearly bring defendant within the meaning of section 2, chapter 80, Laws of 1913, defining mutual water companies. The commission is therefore without jurisdiction to grant relief.

It may be that complainant can arrange for stock in Cucamonga Development Company to bring his water out of the canyon, and can arrange with the owners of the joint pipe line to bring his water from the canyon mouth to his land, or he may wish to construct his own facilities; but he has not established a valid claim against defendant for relief. The complaint should, therefore, be dismissed.

ORDER.

A public hearing having been held in the above entitled case, and the Commission being now fully advised, and it appearing from the evidence that the Commission is without jurisdiction to grant the relief prayed for in the complaint:

The Commission hereby finds as a fact that defendant has not dedicated its water to public use and that the Commission is without jurisdiction to grant the relief prayed for in the complaint.

Basing its order upon the above finding of fact and upon every finding of fact contained in the opinion preceding this order;

It is hereby ordered, that the complaint be and it is hereby dismissed.

Dated at San Francisco, California, this third day of April, 1920.

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DECISION NO. 7351.

IN THE MATTER OF THE APPLICATION OF THE FLORA WATER COMPANY, INCORPORATED, TO SELL, AND ELROY M. JOHNSON TO PURCHASE, THE WATER SYSTEM OF THE FLORA WATER COMPANY LOCATED AT REDONDO BEACH, CALIFORNIA.

Application No. 5399.

Decided April 3, 1920.

O. C. White, for The Flora Water Company.
Elroy M. Johnson, in propria persona.

BY THE COMMISSION.

OPINION.

The Flora Water Company and Elroy M. Johnson join in an application to transfer to the latter a small water plant located between Gardena and Redondo Beach in Los Angeles County.

A public hearing was held upon the application by Examiner Westover in Los Angeles.

Water is pumped from wells and distributed for domestic and irrigation purposes to about 20 consumers within a radius of approximately one mile. The company is a public utility organized by residents upon a subdivision of land to procure water primarily for themselves. Nonstockholders are also served.

The plant has been operated in the past by the voluntary services of various persons interested. Mr. Johnson proposes to install meters and electric motor automatically controlled. He believes that the losses in operation in the past have been due largely to the fact that water was not measured, although sold at a measured rate. The consideration for the transfer is the assumption by him of an indebtedness of $400 due on the plant, evidenced by note to B. F. Martin, due in about one year and secured by mortgage on the plant.

Mr. Johnson proposes to establish a rate of 2 cents per miner's inch hour with a minimum of $1.25 per month. The present rate is the same except that the minimum is $1.50 per month.

It appears from the testimony that Mr. Johnson is financially able and willing to render improved service at a slightly lower rate and relieve consumers of the burden of operating the plant. The application should be granted.

ORDER.

The Flora Water Company, Incorporated, having applied to the Commission for authority to transfer to Elroy M. Johnson the property hereinafter described, a public hearing having been held upon said application, and it appearing to the Commission that the application should be granted;

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It is hereby ordered, that The Flora Water Company be and it is hereby authorized and empowered to transfer to Elroy M. Johnson its water plant and system, including the east 108 feet of lot 1, La Fresa Tract, in Los Angeles County, together with the pumping plant and water system thereon and used in connection therewith.

The authority herein granted is upon the following conditions, to wit:

1. The authority herein contained shall extend only to such instruments of transfer as shall be executed or delivered within 90 days from date hereof.

2. Such transfer or conveyance hereafter to be made shall contain a clause reciting that said Elroy M. Johnson as grantee assumes and agrees to pay the note for $400 in favor of B. F. Martin, secured by mortgage upon the real estate hereinabove described.

3. Within ten days after said instrument of conveyance is delivered said Johnson shall file with the Commission a certified copy thereof.

4. At or before the time said instrument of conveyance is delivered to said Johnson, he shall file with the Railroad Commission a schedule of water rates to be thereafter charged by him, which rates shall be not more than 2 cents per miner's inch per hour with a minimum charge of $1.25 per month.

5. Nothing herein contained shall be construed by the Commission or any court or public tribunal as a finding of the value of any of the property herein authorized to be transferred for any purpose other than the purposes of this proceeding.

Dated at San Francisco, California, this third day of April, 1920.

DECISION NO. 7372.

HOWARD BLACK

vs.

BOARD OF TRUSTEES OF THE CITY OF BURLINGAME.

Case No. 1396.

Decided April 5, 1920.

JURISDICTION—INJUNCTION PROCEEDINGS—CONTEMPLATED VIOLATION OF PUBLIC UTILITIES ACT.—In connection with an action brought to prevent a municipality relocating a railroad depot at a new point, alleged to be dangerous and inconvenient, it is held that the Commission has not the broad powers of injunction possessed by a court of equity, and even though it is assumed that such removal will effect grade crossings over which the Commission would have jurisdiction under the provisions of section 43(*b*) of the Public Utilities Act, it has not the jurisdiction to enjoin threatened violations; however, in a proceeding wherein the railroad affected is a party, the Commission has jurisdiction over the ultimate questions concerning the installation, operation and maintenance of grade crossings and the location and maintenance of proper depot facilities.

Louis E. Aubery, for Complainant.

J. F. Davis, City Attorney, for City of Burlingame.

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BY THE COMMISSION.

OPINION.

The complaint herein is in the nature of a petition for an injunction by the Commission to prevent the city of Burlingame from moving the depot belonging to the Southern Pacific Company from its present site to a location which complainant alleges to be seriously objectionable from the point of view of public convenience and safety. The complaint is directed against the city of Burlingame, the railroad company not being made a party to the case.

A public hearing was regularly held in the city of Burlingame on January 5, 1920.

In view of the final disposition of this case by dismissal for want of jurisdiction, it is unnecessary to discuss the matters of fact presented at the hearing.

It must be recognized that the Public Utilities Act does not confer upon the Railroad Commission the broad powers of injunction possessed by a court of equity. Therefore, even though it be assumed that the moving of the depot to the proposed location would affect certain street crossings, as alleged in the complaint, and thus present a situation over which this Commission would have jurisdiction under section 43 (*b*) of the Public Utilities Act, it must be recognized that no action has now been taken in violation of the act. The commission does not have jurisdiction to enjoin threatened violations of the Public Utilities Act.

It is not to be assumed from what has been stated that the Commission would not have jurisdiction over the ultimate questions concerning the installation, operation and maintenance of grade crossings, and of the location and maintenance of proper depot facilities by the railroad company. These questions, however, can only be dealt with in a proceeding wherein the railroad affected is a party.

It is therefore recommended that prior to any futher action by the parties effecting any change in grade crossings or depot facilities, the entire matter be presented in a proceeding to which both the city and the railroad company affected are made parties.

ORDER.

It appearing from the complaint herein that the Railroad Commission has no jurisdiction to grant the injunctive relief therein prayed for, and that none of the acts complained of are matters over which the Commission has jurisdiction;

It is hereby ordered, that the complaint herein be, and the same is hereby, dismissed.

Dated at San Francisco, California, this fifth day of April, 1920.

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DECISION NO. 7373.

IN THE MATTER OF THE APPLICATION OF NEEDLES GAS AND ELECTRIC COMPANY FOR AUTHORITY TO ISSUE BONDS, EXECUTE A MORTGAGE AND PAY OFF OUTSTANDING BONDS.

Application No. 5227.

Decided April 5, 1920.

Applicant authorized to issue and sell $90,000 face value of bonds at not less than 90 or to pledge such bonds as security for notes, the proceeds of either the bonds or notes to be used to discharge outstanding notes and for betterments and additions to plant.

LeRoy M. Edwards, for Applicant.

BY THE COMMISSION.

OPINION.

Needles Gas and Electric Company applies for authority to execute a mortgage securing the payment of $250,000 of its 6 per cent 25-year bonds, and sell $90,000 of said bonds at not less than 90 per cent of their face value plus accrued interest.

Since the hearing applicant has filed an amendment to its application in which it reports that it may be impossible to sell its bonds at this time at an advantageous price, and that therefore, it believes that it is to its interest to pledge the bonds to secure the payment of a note or notes maturing in two or three years.

A hearing was held on this application by Examiner Westover at Los Angeles and the matter submitted on evidence then produced and produced at the hearing on Application No. 5087, in which applicant asks permission to readjust its rates.

Applicant operates electric, gas and telephone plants at Needles, California. It reports 591 electrical consumers, 532 gas consumers and 317 telephone subscribers. The investment in its electric plant is reported at $67,246.23; in its gas plant at $51,072.03; and in its telephone plant $19,416.73, making a total of $137,734.99. The Commission's engineers estimate the historical cost of applicant's property at $129,028. Applicant expressed satisfaction with the latter figure as a valuation for the purposes of this application.

Needles Gas and Electric Company reports 1000 shares ($100,000) of stock outstanding, of which E. H. Rose owns 499 shares, R. S. Masson 499 shares and R. P. Davie 2 shares. All of its $70,000 of outstanding bonds are owned by E. H. Rose. In addition to the $70,000 bonded indebtedness, applicant has $20,702.80 of notes outstanding. If this application is granted Messrs. Rose and Masson have agreed to cancel without compensation notes of applicant aggregating $13,679.22 in their favor and have arranged that Mr. Masson will acquire the interest of E. H. Rose in the property. We believe

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from the report of the engineers of the Commission in the rate proceeding referred to that the plant will be operated under more favorable circumstances if Mr. Masson had complete control of it, and that service to consumers will be greatly improved.

The present mortgage of the Needles Gas and Electric Company provides for an authorized bond issue of $100,000, of which $70,000 are outstanding, $20,000 have been cancelled, leaving only $10,000 available to pay for future additions and betterments. Mr. Masson testified that in his opinion the company should expend approximately $10,000 per annum for additions, betterments and improvements for the next two or three years, and thereafter approximately $5,000 a year. Hence the present application for authority to execute a mortgage to secure a new bonded debt of $250,000.

A copy of the proposed mortgage securing the payment of the bonds was filed with the Commission on March 4, 1920. Under its terms $90,000 of the bonds may be certified forthwith by the trustee and the remainder from time to time to cover 80 per cent of the cost of additions and betterments, provided the net earnings of the company applicable to the payment of bond interest for a period of twelve months prior to the request for the certification of bonds are equal to at least one and a half times the annual interest on all bonds outstanding, together with the interest on the bonds which the trustee is requested to certify.

Applicant asks permission to use the moneys obtained through either the sale or pledge of the $90,000 of bonds to pay the outstanding $70,000 of bonds and apply the remainder toward payment of outstanding notes and accounts. Ordinarily the Commission does not look with favor upon the pledging of bonds, but because of the peculiar circumstances of this case it believes that applicant should be given permission to either sell the bonds at not less than 90 per cent of their face value plus accrued interest, or pledge them at such a ratio that the face value of the note or notes secured by the deposit of bonds will not be less than 80 per cent of the bonds deposited as collateral.

ORDER.

Needles Gas and Electric Company having applied to the Railroad Commission for permission to execute a mortgage and issue $90,000 of bonds and notes, a public hearing having been held, and the Railroad Commission being of the opinion that the money, property and labor to be procured and paid for by such issue is reasonably required by applicant and that the expenditures for such purposes

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are not in whole or in part reasonably chargeable to operating expenses or to income;

It is hereby ordered, that Needles Gas and Electric Company be and it is hereby authorized to execute a mortgage substantially in the same form as the copy of proposed mortgage filed with the Railroad Commission on March 4, 1920.

It is hereby further ordered, that Needles Gas and Electric Company be and it is hereby authorized to issue not exceeding $90,000 face value of 6 per cent 25-year bonds and sell said bonds for cash at not less than 90 per cent of their face value plus accrued interest, or deposit the same as collateral to secure the payment of a note or notes payable not less than one year nor more than three years after date thereof, provided that the face value of the note or notes secured by the deposit of the bonds authorized herein will never be less than 80 per cent of the face value of bonds deposited.

It is hereby further ordered, that Needles Gas and Electric Company be, and it is hereby, authorized, in the event that it is unable to sell its bonds upon the conditions herein specified, to issue at par a note or notes payable not less than one year nor more than three years from date, said note or notes to bear interest at the rate of not exceeding 7 per cent per annum.

The authority herein granted is upon the following conditions:

1. All moneys obtained either through the sale or pledging of bonds herein authorized shall be used by applicant to pay the $70,000 of outstanding bonds of Needles Gas and Electric Company, to pay outstanding notes or to pay for additions and betterments to plant.

2. If applicant finds it necessary to pledge the bonds herein authorized as collateral security for the payment of notes, said bonds may from time to time during the life of the notes be sold at not less than 90 per cent of their face value plus accrued interest, and the proceeds used to pay the note or notes, or to pay for additions and betterments to plant.

3. The approval herein given of said mortgage is for the purpose of this proceeding only, and an approval in so far as this Commission has jurisdiction under the terms of the Public Utilities Act, and is not intended as an approval of said mortgage as to other legal requirements to which said mortgage may be subject.

4. Needles Gas and Electric Company shall keep such record of the issue and sale of the bonds, note or notes herein authorized, and of the disposition of the proceeds, as will enable it to file, on or before the twenty-fifth day of each month, a verified report as required by

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the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

5. The authority herein granted will not become effective until applicant has paid the fee prescribed in the Public Utilities Act.

6. Except as otherwise herein provided in condition No. 2, the authority herein granted will apply only to such bonds, note or notes as may be issued and sold on or before September 15, 1920.

Dated at San Francisco, California, this fifth day of April, 1920.

DECISION NO. 7374.

IN THE MATTER OF THE APPLICATION OF THE WHITE LINES FOR AN ORDER AUTHORIZING INCREASE AND ISSUE OF CAPITAL STOCK.

Application No. 5474.

Decided April 5, 1920.

BY THE COMMISSION.

OPINION.

The White Lines, a corporation, asks permission to increase its authorized common stock from $50,000 to $150,000 divided into 150,000 shares of the par value of $1 each, and issue $100,000 of its stock at par to pay notes and buy new equipment. Applicant may increase its authorized stock without an order from the Railroad Commission.

On March 12, 1919, the Railroad Commission, by Decision No. 4384, authorized Stockton-Fresno Motor Freight Company to issue $25,000 of stock to buy freight automobile equipment. On September 29,1919, the Superior Court in and for San Joaquin County made an order changing the name of Stockton-Fresno Motor Freight Company to The White Lines.

Applicant is engaged in motor freight transportation between Stockton and Fresno and intermediate towns, including Modesto, Turlock and Merced. Attached to the petition is a statement showing that applicant owns thirty-two pieces of rolling stock, having a total tonnage capacity of 101½ and representing a value or cost as of March 1, 1920, of $62,139.32. The equipment was purchased between March 1, 1919 and March 1, 1920. Adding to the $62,139.32 the investment in lands, buildings, improvements, materials and supplies makes a total investment of about $78,000, which does not include any moneys expended to cover operating costs in excess of receipts during period of establishing applicant's business.

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Applicant has been able to purchase equipment and other properties and carry on its business largely through moneys advanced by F. Dohrmann, Jr. and associates, who have taken in exchange for such advances the company's notes aggregating $75,071.46. They have agreed to accept in payment for such notes, the company's stock at par.

Applicant has not furnished the Commission with detailed information as to the nature of the equipment which it intends to purchase through the issue of $24,929 of its stock, and the order will therefore provide that none of the proceeds obtained from the sale of the $24,929 of stock shall be expended, except as hereafter authorized by the Commission in a supplemental order or orders.

ORDER.

The White Lines, having applied to the Railroad Commission for permission to issue $100,000 of capital stock, and the Commission being of the opinion that this is not a matter in which a public hearing is necessary, and that the money, property or labor to be procured or acquired through the issue of said stock, is reasonably required by applicant, and that this application should be granted, subject to the conditions of this order;

It is hereby ordered, that The White Lines, a corporation, be, and it is hereby, authorized to issue and sell at not less than par, $100,000 of its common capital stock.

The authority herein granted is subject to the following conditions:

1. Of the stock herein authorized, $75,071 may be issued to F. Dohrmann, Jr. and his associates, in payment for the notes set forth in a statement attached to the petition herein.

2. The proceeds obtained from the sale of $24,929 of stock shall not be expended by applicant except for such purposes as may hereafter be authorized by the Commission in a supplemental order or orders in this proceeding.

3. The White Lines, a corporation, shall keep such record of the issue and sale of the stock herein authorized and of the disposition of the proceeds as will enable it to file on or before the twenty-fifth day of each month, a verified report, as required by the Railroad Commission's General Order No. 24, which order in so far as applicable, is made a part of this order.

4. The authority herein granted will apply only to such stock as may be issued and sold on or before October 1, 1920.

Dated at San Francisco, California, this fifth day of April, 1920.

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DECISION NO. 7375.

IN THE MATTER OF THE APPLICATION OF SATICOY WATER COMPANY, A CORPORATION, FOR PERMISSION TO EXECUTE A PROMISSORY NOTE.

Application No. 5287.

Decided April 5, 1920.

George E. Farrand, for Applicant.

BRUNDIGE, *Commissioner*.

OPINION.

Saticoy Water Company asks permission to issue to Farmers and Merchants Bank of Santa Paula its $6,000 6 per cent unsecured note payable on or before three years from January 1, 1920.

Applicant asks permission to issue the note for the purpose of paying or refunding the note which it issued pursuant to the authority granted by the Commission in Decision No. 3041, dated January 14, 1916 (Vol. 9, Opinions and Orders of the Railroad Commission of California, page 47).

Saticoy Water Company has an authorized stock issue of $15,000, of which $10,925 is outstanding. Its total indebtedness is reported at $6,074.23. For the year ending December 31, 1919, applicant reported operating revenues at $5,153.09 and operating expenses of $3,595.14, leaving a net operating revenue of $1,557.95, an amount considerably in excess of the annual interest charges on the $6,000 note which applicant asks permission to issue.

I herewith submit the following form of order:

ORDER.

Saticoy Water Company having applied for an order authorizing the issue of its promissory note for $6,000, a public hearing having been held, and the Railroad Commission finding that the purposes for which it is proposed to issue said note are not in whole or in part reasonably chargeable to operating expenses or to income, and that this application should be granted;

It is hereby ordered, that Saticoy Water Company be, and it is hereby, authorized to issue to Farmers and Merchants Bank of Santa Paula its $6,000 6 per cent note payable on or before three years from January 1, 1920, for the purpose of paying or refunding the $6,000 note which applicant issued pursuant to the authority granted in Decision No. 3041, dated January 14, 1916, and referred to in the petition herein;

Provided, that Saticoy Water Company will keep such record of the issue and sale of the note herein authorized and of the disposition of the proceeds, as will enable it to file, on or before the twenty-fifth day of each month, a verified report as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

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The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this fifth day of April, 1920.

DECISION No. 7376.

IN THE MATTER OF THE APPLICATION OF ONTARIO POWER COMPANY FOR AN ORDER AUTHORIZING THE ISSUE OF SEVEN PER CENT PREFERRED STOCK.

Application No. 5472.

Decided April 5, 1920.

Glenn D. Smith, for Applicant.

EDGERTON, *Commissioner*.

OPINION.

Ontario Power Company asks permission to issue at par $74,000 of its 7 per cent cumulative preferred stock.

Applicant reports $380,000 of common stock, $280,000 of bonds, $84,000 of serial notes and $24,000 of short term notes outstanding. For 1917 its operating revenues are reported at $128,489.90, for 1918 at $132,186.10, and for 1919 at $159,360.52. After paying operating expenses, taxes, interest, and allowing $15,000 for depreciation, applicant's net income is reported at $43,783.95 in 1917, at $38,974.72 in 1918, and $31,459.73 in 1919.

Applicant owns two hydroelectric generating plants, having a rated generating capacity of 1250 kilovolt amperes. It also purchases electrical energy from Southern California Edison Company.

Applicant reports actual or estimated expenditures for permanent improvements as follows;

Actual expenditures from January 1, 1919, to February 28, 1920	$54,413 39
Estimated cost of line extensions proposed to take care of new consumers whose applications have been accepted	16,183 81
Estimated cost of transformers required to serve pumping load	10,720 00
Estimated materials and supplies required for new extensions to meet the normal demand for domestic service	25,424 60
Total	$106,741 80
Less 20 per cent of cost which applicant intends to pay out of income	21,348 36
Balance	$85,393 44
Less expenditures paid through issue of serial notes authorized by the Railroad Commission	11,000 00
Balance	$74,393 44
Less expenditures paid through issue of short term notes	24,000 00
Leaving expenditures unprovided for	$50,393 44

Applicant asks permission to issue and sell at par $74,000 of its 7 per cent cumulative preferred stock and use the proceeds to pay the $24,000 of short term notes and provide itself with moneys necessary to pay the $50,393.44 of construction expenditures. The record

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shows that the $24,000 obtained through the issue of short term notes was used to pay for the construction of permanent additions and betterments to applicant's plant.

Glenn D. Smith, general manager of Ontario Power Company, testified that in his opinion the company would encounter no difficulty in selling the $74,000 of stock at par.

I herewith submit the following form of order:

ORDER.

Ontario Power Company, having applied to the Railroad Commission for permission to issue $74,000 of its 7 per cent cumulative preferred stock, a public hearing having been held, and the Railroad Commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required for the purpose or purposes specified in this order, and that the expenditures for such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income;

It is hereby ordered, that Ontario Power Company be and it is hereby authorized to issue and sell on or before October 31, 1920, for not less than par, $74,000 of its 7 per cent cumulative preferred stock, and use the proceeds obtained from the sale of such stock to pay the $24,000 of notes referred to in the petition herein and pay in part for the construction of the extensions, additions and betterments referred to in the foregoing opinion and in this petition; provided, that Ontario Power Company will keep such record of the issue and sale of the stock herein authorized and of the disposition of the proceeds as will enable it to file, on or before the twenty-fifth day of each month, a verified report, as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this fifth day of April, 1920.

DECISION No. 7377.

IN THE MATTER OF THE APPLICATION OF THE COACHELLA VALLEY HOME TELEPHONE AND TELEGRAPH COMPANY, A CORPORATION, FOR AN ORDER AUTHORIZING THE ISSUE OF FIFTY SHARES OF ITS CAPITAL STOCK.

Application No. 5420.

Decided April 5, 1920.

W. D. Gibbs and *N. B. Stadley*, for Applicant.

BRUNDIGE, *Commissioner.*

OPINION.

The Coachella Valley Home Telephone and Telegraph Company asks permission to issue and sell $5,000 of its common stock at par

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and use the proceeds to pay for the construction of additions and betterments to its plant.

Applicant reports that it has an authorized stock issue of $25,000, of which $10,135 is outstanding. The record shows that residents of Coachella Valley have, during the latter part of 1919, acquired control through stock ownership of The Coachella Valley Home Telephone and Telegraph Company, and that the new management has undertaken and is proceeding with the construction of necessary extensions and improvements. A new switchboard, storage battery and other plant improvements costing approximately $1,450 have been installed; three new lines, about three miles in length, have been built to Coachella, and one line, about seven miles in length, to Indio, at a total cost of about $1,000.

Applicant intends to build a new line to Oasis, eighteen miles in length, and purchase at least twenty-five additional telephones. The cost of the line to Oasis and the new telephones is estimated at $2,875. It is for the purpose of paying for the extensions, additions and betterments to which reference has been made that applicant asks permission to issue $5,000 of stock.

I herewith submit the following form of order.

ORDER.

The Coachella Valley Home Telephone and Telegraph Company, having applied to the Railroad Commission for permission to issue $5,000 of its common stock, a public hearing having been held, and the Railroad Commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required for the purpose or purposes specified in this order and that the expenditures for such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income;

It is hereby ordered, that the Coachella Valley Home Telephone and Telegraph Company be, and it is hereby, authorized to issue and sell, on or before November 30, 1920, for not less than par, $5,000 of its common capital stock and use the proceeds obtained from the sale of such stock to pay for the extensions, additions, betterments and improvements to its plant, referred to in the foregoing opinion and in the record in this proceeding; provided, that The Coachella Valley Home Telephone and Telegraph Company will keep such record of the issue and sale of the stock herein authorized and of the disposition of the proceeds as will enable it to file, on or before the twenty-fifth day of each month, a verified report as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

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The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, this fifth day of April, 1920.

DECISION No. 7378.

IN THE MATTER OF THE APPLICATION OF THE OILDALE WATER COMPANY FOR PERMISSION TO SELL TO OILDALE MUTUAL WATER COMPANY, A CORPORATION.

Application No. 5483.

Decided April 5, 1920.

BY THE COMMISSION.

ORDER.

Oildale Water Company, a public utility water company owned and operated by Ida J. Barnett, and engaged in the business of distributing water to consumers in a certain community known as Oildale, located in Kern County, California, having made application to the Railroad Commission as entitled above, for authority to sell and transfer to Oildale Mutual Water Company its public utility property more particularly described in Exhibit A attached to the application herein and made a part hereof, and Oildale Mutual Water Company having joined in said application; and an investigation of the water system and properties herein sought to be transferred having been made by representatives of the Commission's engineering department, and it appearing that this is not a matter in which a public hearing is necessary and that public convenience will be served by the granting of said application;

It is hereby ordered, that the above entitled application be, and the same is hereby granted, upon the following conditions:

1. Oildale Mutual Water Company, upon assuming possession and control of the properties of Oildale Water Company, shall continue the service of water to consumers theretofore served by Oildale Water Company, and, provided it delivers water to anyone other than its stockholders, it shall file with the Railroad Commission within thirty (30) days of the date of this order a schedule of its rates and charges, together with a copy of its rules and regulations for service as a public utility.

2. The consideration given for the transfer of said public utility water system shall not be urged before this commission or any other public body as a finding of value of said properties for rate fixing or any purpose other than the transfer herein authorized.

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3. The authority herein granted to transfer said water system shall apply only to such transfer as may have been made on or before June 30, 1920, and a certified copy of the instrument of conveyance transferring the property herein authorized to be transferred shall be filed with the Commission within thirty days of the date on which it is filed.

4. Within ten (10) days from the time when Oildale Mutual Water Company actually acquires possession of the properties herein authorized to be transferred, said company shall file a certified statement with the Commission indicating the date of such transfer.

Dated at San Francisco, California, this fifth day of April, 1920.

DECISION NO. 7379.

IN THE MATTER OF THE APPLICATION OF BALDWIN PARK DOMESTIC WATER COMPANY, S. M. WALKER, PROPRIETOR, FOR AN ORDER AUTHORIZING IT TO SELL A CERTAIN WATER PLANT AND SYSTEM TO BALDWIN PARK DOMESTIC WATER COMPANY, A CORPORATION, AND FOR APPROVAL OF A CONTRACT RELATING THERETO.

Application No. 5442.

IN THE MATTER OF THE APPLICATION OF BALDWIN PARK DOMESTIC WATER COMPANY, A CORPORATION, FOR AN ORDER AUTHORIZING THE ISSUANCE OF STOCK AND FOR PERMISSION TO PURCHASE AND ACQUIRE A CERTAIN WATER PLANT AND SYSTEM AND FRANCHISES AND FOR APPROVAL OF THE CONTRACT RELATING THERETO.

Application No. 5443.

Decided April 8, 1920.

TRANSFERS--STOCK ISSUES FOR.—In authorizing the transfer of a water plant from an individual to a corporation the Commission will not permit the corporation to issue stock of the par value of $99,500 in exchange for such property when its value was heretofore found to be not in excess of $50,000.

Transfer of Baldwin Park Water System authorized, the purchasing company to issue not in excess of $50,000 par value of its capital stock in exchange therefor.

Hunsaker, Britt and Cosgrove, by *John M. Clayton*, for Applicants.

BRUNDIGE, *Commissioner.*

OPINION.

The above entitled applications were consolidated for hearing and decision.

In Application No. 5442, S. M. Walker, proprietor of Baldwin Park Domestic Water Company, requests authority to sell to Baldwin Park Domestic Water Company, a corporation, his water utility property located at Baldwin Park, Los Angeles County, and more particularly described in Exhibit "B" attached to the petition.

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In Application No. 5443, as amended at the hearing, Baldwin Park Domestic Water Company, a corporation, asks permission to acquire the properties free and clear of all liens and encumbrances and issue in payment therefor, $99,500 of its common capital stock. In Exhibit "C" attached to the petition in Application No. 5442, the cost of the properties to be sold, exclusive of any allowance for water rights and other intangible elements of value, is reported at $68,426.81.

The Commission's attention is called to a former proceeding, Decision 4169, dated March 7, 1917 (Vol. 12, Opinions and Orders of the Railroad Commission of California, page 662) in which the company reported the value of its water rights at from $120,000 to $150,000. This claim, however, was disallowed by the Commission, in so far as it had any bearing in that particular proceeding.

The present value of the properties is claimed to be at least $100,000. In connection with Application No. 4585 and Case No. 1314, the Commission's engineers made a careful examination of the public utilities properties owned by S. M. Walker and reported that the cost thereof, as shown by his records as of April 1, 1919, was $49,574. He also reported that the cost included arbitrary overhead charges which were unjustified. For the purpose of rate fixing, the Commission found that $42,000 represented the fair service value of used and useful properties of the water system.

Taking into consideration the amount used by the Commission as a rate base, the cost of additions and betterments since the fixing of the rates, and making allowance for intangible elements of value, I have reached the conclusion that $60,000 is the maximum amount of stock that Baldwin Park Domestic Water Company should issue to acquire the properties referred to in these proceedings.

The financial statement attached to the petition in Application No. 5442 shows that S. M. Walker owes in the form of notes payable, $20,500; and in the form of accounts payable, $7,666.01.

S. M. Walker testified that he would pay this indebtedness and that none of it would be assumed by the Baldwin Park Domestic Water Company.

I herewith submit the following form of order:

ORDER.

S. M. Walker, proprietor of Baldwin Park Domestic Water Company, having applied to the Railroad Commission for permission to sell his public utility properties to Baldwin Park Domestic Water Company, a corporation, and the latter having joined in the application and having asked permission to issue stock, a public hearing having been held, and the Railroad Commission being of the opinion that not

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more than $60,000 of stock should be issued in payment for the properties, and that the money, property or labor to be procured or paid for by such, is reasonably required for the purpose or purposes specified in this order;

It is hereby ordered, that S. M. Walker, proprietor of Baldwin Park Domestic Water Company, be and he is hereby, authorized to sell, free and clear of all encumbrances, to Baldwin Park Domestic Water Company, a corporation, the public utility properties described in Exhibit "B" attached to the petition in Application No. 5442.

It is hereby further ordered, that Baldwin Park Domestic Water Company, a corporation, be and it is hereby, authorized to issue in payment for the aforesaid properties, $60,000 of its common capital stock.

The authority herein granted is subject to the following conditions:

1. The consideration paid by Baldwin Park Domestic Water Company, a corporation, for the properties which it is herein authorized to purchase, shall never be urged as a rate base before this Commission or other tribunal having jurisdiction.

2. Within 30 days after the transfer of the properties herein authorized, Baldwin Park Domestic Water Company, a corporation, shall file with the Railroad Commission a verified copy of the deed under which it acquired title to the properties.

3. Baldwin Park Domestic Water Company, a corporation, shall keep such record of the issue and sale of the stock herein authorized and of the disposition of the proceeds as will enable it to file, on or before the twenty-fifth day of each month, a verified report as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

4. The authority herein granted will apply only to such stock as may be issued, and to such transfer as may be made, on or before October 1, 1920.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this eighth day of April, 1920.

DECISION NO. 7380.

IN THE MATTER OF THE APPLICATION OF REDONDO HOME TELEPHONE COMPANY FOR AUTHORITY TO INCREASE RATES FOR TELEPHONE SERVICE.

Application No. 5006.

Decided April 8, 1920.

DUPLICATE PROPERTY—NOT INCLUDED IN RATE BASE.—An inventory and appraisal of consolidated telephone properties showing a station cost of approximately $140 each is not allowed as excessive and indicative of a duplication of

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property, a return upon the value of which subscribers should not be required to meet. Considering that the plant of applicant is spread along the ocean beach instead of in more compact district as is usual, an estimated per station cost of $85 is allowed as a basis for rate fixing purposes.

TELEPHONE RATES—ZONES. ESTABLISHMENT OF.—A telephone utility is not permitted to establish arbitrary zones in an otherwise primary rate base, as it is held that subscribers can not be penalized because the utility has failed to establish its central office in the telephone center of the community served.

Revised rate schedule established and applicant directed to file within six months plans for the amortization and elimination of all duplicate properties.

Walter F. Dunn, for Applicant.

F. L. Perry, for the cities of Redondo Beach and Manhattan Beach.

W. W. Phelps, for the city of Hermosa Beach.

A. R. Holston, for Hermosa Beach Chamber of Commerce.

BRUNDIGE, *Commissioner*.

OPINION.

The Redondo Home Telephone Company, hereinafter referred to as the company, in Application No. 5006, asks the Commission's authority to increase rates for telephone service, alleging that its present rates, established in 1905, are inadequate to meet the increased prices for materials and increased labor costs and at the same time yield a fair return upon its investment in telephone property.

At the present time, the company is furnishing exchange service in the towns of Manhattan Beach, Hermosa Beach and Redondo Beach. These communities had been receiving competitive telephone service from The Pacific Telephone and Telegraph Company and from the applicant for many years prior to July 26, 1918, at which time the Commission in Decision No. 5613 authorized the applicant to purchase certain property from the Pacific company, and authorized the latter to retire from the telephone business in these towns. The consolidation of the two properties did not become effective until April 1, 1919, and the central offices of the former competing companies were not consolidated until October 15, 1919. Since that time, the subscribers have been receiving service from one central office, but the duplicate plant, such as poles, wires, cables, etc., remain practically as they were before consolidation, which necessarily means that the expense of maintaining the plant will be considerably higher than it would be if the system had been built originally by one company.

A hearing was held in Redondo on December 24 and 29. At the hearing applicant presented evidence as to present and past operating expenses, together with estimates of operating revenues and expenses for the future. The company's Exhibit No. 2 alleges that the Redondo Home company did not make expenses during the years 1917 and 1918, while an exhibit filed in the consolidation proceedings, Application No. 3866, shows that the Pacific company operated at a loss of approximately $8,500 during the years 1915 and 1916. In the

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same proceedings, an exhibit showed the estimated revenue and expenses of the consolidated properties were such that there would be a deficit before interest on funded debt was paid, amounting to $756 for the first year and $318 for the second year. This information is given to show that the company was fully aware of conditions at the time the purchase was made.

The applicant's engineer estimated that the present rates would yield $20,588.47 in 1920, and that the maintenance expenses, other than depreciation, would be $19,307.38. This would give a net income of $1,281.09 with which to establish a fund for depreciation and pay a return upon their investment. The Commission's engineers made a careful estimate of the revenue of the system under present rates and estimated the expenses which a normal plant would have if similarly situated and of similar size. They found that the company could reasonably expect a net income before depreciation of approximately $2,800, which would be insufficient even for the depreciation reserve fund. It is apparent, therefore, that the company is entitled to an increase in rates in order that it may earn a reasonable return upon its investment.

An inventory or appraisal of the consolidated property is not available nor, in my opinion, would it be of any service in determining a rate base for this system since a large quantity of duplicating plant exists by reason of consolidation of the two systems. The annual report of the company for December 31, 1919, shows a total fixed capital of $111,782.15, which is equivalent to a cost per station amounting to approximately $140. Obviously this is an excessive cost and indicates that it can not be used as the basis for rates.

In view of the above facts, the engineers of the Commission estimated the cost to reproduce a unified plant on a station basis, using the average cost per telephone as found by making detailed appraisals of properties of similar size located elsewhere. There were 801 stations in service on December 31, 1919, which the Commission's engineers estimated should cost $85 each. Mr. Irwin, engineer for the company, testified at the hearing that the lowest estimated value of the property should be $80,000, while the Commission's engineer stated that the cost of construction of plants of similar size ranged from $70 to $80 per station. On account of the development of this territory along a long stretch of beach instead of in a condensed area, the latter raised the estimated cost to $85 as above noted. This would indicate a reproduction cost of $68,085 for a normal property in this community. In my opinion, therefore, $70,000 is a just and equitable rate base.

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The financial status of the company, as set forth in the annual report of December 31, 1919, shows there is outstanding $70,000 face value of twenty-five year gold bonds bearing 2½ per cent interest for the first eight years and 6 per cent for the remaining seventeen years. It is further stated that $40,000 face value of common stock is issued. There is no preferred stock issued or authorized.

Under the rates proposed, the company may reasonably expect a revenue of approximately $28,500 during the coming year. A careful estimate of the expenses during the same period has been made and amounts to approximately $23,000. Allowance was made in this estimate for an increase in wages, already granted, amounting to 10 per cent of all labor, and included $3,000 per year for the replacement of plant which should be set aside in a fund and used only for the purposes for which it will be collected. Due allowance was made for the fact that practically all the plant in the system is located along the ocean front and subject to rapid deterioration, due to the action of the salt air and fogs. The gross revenue from these rates is sufficient to enable the company to operate the three municipalities as a single unit and will not necessitate dividing them into arbitrary "zones" as was proposed by the company and vigorously opposed by the representatives of all the municipalities concerned. While the company may argue that Manhattan Beach is a long distance from the Redondo exchange, I can not agree with it that the subscribers should be penalized because the company has not located the central office in the telephonic center of the community served.

The company realized when it purchased the Pacific company's property that it would cost a considerable amount of money to maintain and gradually eliminate the duplicate plant in the system, and very wisely made provision for this extra expense by issuing bonds bearing only 2½ per cent interest for the first eight years after consolidation. This scheme makes available annually 3½ per cent of the $70,000 face value bonds outstanding, or approximately $20,000 for this purpose for the eight year period. This amount should be used to amortize the duplicate plant as rapidly as possible, since the company can not expect the public to bear the burden of maintaining any portion of the system which is unessential to furnishing service. It is my opinion, therefore, that the company should furnish the Commission within six (6) months of the date of this order its suggestions for a plan of bringing about the amortization and elimination of any and all duplicate property within a specified time.

Service.

The service given by applicant in this territory appears to have been very unsatisfactory during the consolidation period. At the present

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time, however, the telephones have practically all been changed to the harmonic ringer type and the plant is being repaired and reconstructed in such a manner that the service should be greatly improved. The Commission is authorizing this increase in rates with the distinct understanding that the quality of service shall meet the standards which this Commission requires of other companies and will expect the company to meet these requirements, since a liberal allowance has been made for the expenses of operating a normal telephone property of this size.

Rates.

The rate increases sought by applicant are not justifiable in my opinion, either from the standpoint of what are fair and equitable rates for the service rendered or from the standpoint of applicant's necessities for additional revenue. The need for additional income will be met by the rates suggested in this opinion in accordance with the estimates shown heretofore.

I recommend the following rate structure:

Classification	Business	Residence
Individual line—wall	$3 25	$2 50
Two-party line—wall	2 75	2 25
Four-party line—wall	2 50	2 00
Eight-party line—wall	----	1 50
Extensions—wall or desk	1 00	1 00
Suburban—individual line	*3 25	*2 50
Suburban—eight-party line	2 75	*2 25

Desk telephones are 25 cents additional per month on all classes of service except extensions.

Rates for miscellaneous equipment not included in the above table are to be filed with the Commission subject to its approval.

The primary rate area for this exchange shall be bounded on the north by the northerly city limits of Manhattan Beach and by that portion of the city limits of Redondo Beach which joins the easterly city limits of Redondo Beach and Hermosa Beach; on the east by the eastern city limits of Redondo, Hermosa and Manhattan beaches; on the south by the southern city limits of Redondo Beach, and on the west by the ocean.

The company is protected from making unprofitable extensions in the sparsely settled portion of the primary rate area, as well as beyond the city limits, by provisions in the Commission's Decision No. 2879, Case No. 683, which states as follows:

RULE 15.

A water, gas, electric or telephone utility which operates under a general franchise authorizing the occupancy of all the streets of a municipality shall make,

*An additional charge of 50 cents per month shall be made for each quarter mile or fraction thereof, measured in a straight line between the subscriber's premises and the nearest point in the primary rate area.

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at its own expense, such street extensions as may be necessary to serve applicants; provided, that in any case in which the construction of an extension at the utility's sole cost will in its opinion work an undue hardship upon the utility or its existing consumers, the matter may be submitted to the Commission as provided by section 36 of the Public Utilities Act, unless satisfactorily adjusted by an informal application to the Commission.

RULE 16.

A water, gas, electric or telephone utility shall make such reasonable extensions in unincorporated territory at its own expense, as it can agree upon with the applicant for service; provided, that in any case in which the construction of an extension at the utility's sole expense will in its opinion work an undue hardship upon the utility or its existing consumers, the matter may be submitted to the Commission as provided by section 36 of the Public Utilities Act, unless satisfactorily adjusted by an informal application to the Commission.

RULE 17.

In cases in which applicants make payments to secure the construction of extensions by water, gas, electric or telephone utilities, such payments shall generally be considered as loans to the utilities, to be repaid, as soon as conditions warrant, under reasonable, nondiscriminatory rules and regulations.

All rules and regulations not covered by this decision shall remain in effect as established and filed with this Commission, as provided in Decision No. 2879.

I recommend the following form of order:

ORDER.

Redondo Home Telephone Company having applied to the Commission for authority to increase its exchange rates, a public hearing having been held, the matter having been submitted and the Commission basing its conclusions on the foregoing opinion;

It is hereby ordered, that the applicant is authorized to establish and file with the Commission within thirty (30) days of the date of this order, a schedule of rates and services as outlined in the foregoing opinion. On approval by the Commission of the schedules so filed, applicant is authorized to put these rates into effect subject to the following conditions:

(*a*) Adequate and efficient telephone service must be rendered at all times for all classes of service.

(*b*) Applicant shall set aside into a depreciation fund the sum of $3,000 per annum in installments of $250 per month for the purpose of taking care of such renewals and replacements as shall be covered by the fund. Applicant shall file with the Commission within thirty (30) days of the date of this order, its suggestions for rules governing the functions and use of the depreciation fund and these recommendations thereafter shall go into effect as approved or modified by the Commission.

(*c*) The applicant shall complete as speedily as possible the consolidation of all of its property, and within six (6) months of the date of

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this order shall file with the Commission a statement showing the status of the consolidation.

(*d*) Applicant shall arrange for the amortization and elimination of such duplicate property as is in existence at this time and as should be dispensed with to the benefit of the service, and shall within six (6) months of the date of this order submit to the Commission its suggestions for a plan of bringing about such amortization and such elimination within a specified time.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this eighth day of April, 1920.

DECISION NO. 7381.

IN THE MATTER OF THE APPLICATION OF MIDWAY GAS COMPANY TO EXECUTE A TRUST AGREEMENT SECURING AN ISSUE OF SERIAL NOTES, TO SELL SAID NOTES AND OF SOUTHERN CALIFORNIA GAS COMPANY TO GUARANTEE SAID NOTES.

Application No. 5492.

Decided April 8, 1920.

O'Melveney, Milliken and Tuller and *Jared How*, for Applicant.
J. Stephens, Assistant City Attorney, for City of Los Angeles.

EDGERTON, *Commissioner*.

OPINION.

Midway Gas Company asks permission to execute an agreement defining the terms and conditions under which it may issue $750,000 of 7 per cent three year serial notes, sell forthwith $500,000 of said notes and enter into an agreement with Southern California Gas Company for the sale of natural gas. The Southern California Gas Company asks permission to endorse or guarantee the payment of the Midway Gas Company's notes.

Midway Gas Company, the record shows, is making arrangements for the construction of an addition to its transmission system consisting of about 60 miles of 12¾-inch O. D. pipe at an estimated cost of $900,000. For about 32 miles, the new line will parallel the northern and about 28 miles the southern end of its existing transmission line from the Midway oil fields, Kern County, to West Glendale, Los Angeles County. The Midway Gas Company is undertaking the construction of the new line to enable it to deliver a greater quantity of natural gas to the Southern California Gas Company. It agrees that upon putting a portion of the new line into service, it will deliver to Southern California Gas Company all gas in excess of the present

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normal capacity of its transmission line, which for the purpose of the agreement is stated at 23,000,000 cubic feet per day of 24 hours. It is estimated that when the 60 miles of new line are completed and in service, the Midway Gas Company will be able to deliver to Southern California Gas Company additional gas in the maximum amount of 10,000,000 cubic feet per day of 24 hours. In return, the Southern California Gas Company agrees upon the demand of the Midway Gas Company to endorse or guarantee the payment of the $750,000 of three year 7 per cent serial notes.

Midway Gas Company, after paying operating expenses, including taxes and depreciation, and paying interest, reported for 1917 a net income of $258,480.04, for 1918 a net income of $325,530.25 and for 1919 a net income of $319,217.04. In 1917, the company included in operating expenses $184,059.36, in 1918 $242,705.39 and in 1919 $353,556.96 for depreciation. It is the intention of the company to draw upon its reserve for accrued depreciation and its surplus to pay in part for the construction of the new pipe line.

Midway Gas Company has not yet filed with the Commission a copy of its proposed trust agreement. The record, however, shows that the agreement will provide for an authorized issue of $750,000 of 7 per cent serial notes, of which $250,000 are payable June 1, 1921, $250,000 on June 1, 1922 and $250,000 on June 1, 1923. The agreement will not constitute a lien on any property. The order herein will provide that Midway Gas Company shall issue no notes until the Commission has by supplemental order authorized it to execute a trust agreement defining the terms and conditions under which the notes may be issued.

The record shows that it is impractical for Midway Gas Company at this time to duplicate in its entirety its present transmission line, though such additional capacity was urged by counsel for the city of Los Angeles.

I herewith submit the following form of order:

ORDER.

Midway Gas Company having applied to the Railroad Commission for permission to issue $500,000 of 7 per cent serial notes to be endorsed or guaranteed by Southern California Gas Company and to enter into a contract with Southern California Gas Company covering the sale of natural gas; a public hearing having been held, and the Railroad Commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required for the purpose or purposes specified in this order, and that the expenditures for such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income;

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It is hereby ordered, that Midway Gas Company be, and it is hereby, authorized to issue $500,000 of 7 per cent serial notes, $250,000 of said notes to be payable June 1, 1921, and $250,000 on June 1, 1922.

It is hereby further ordered, that Midway Gas Company and Southern California Gas Company be, and they are hereby, authorized to enter into an agreement substantially in the same form as the agreement attached to the petition herein and marked Exhibit "C," such agreement covering the sale of natural gas.

It is hereby further ordered, that Southern California Gas Company be, and it is hereby, authorized to endorse or guarantee the payment of $750,000 of three year 7 per cent serial notes of Midway Gas Company to be issued under a collateral trust agreement, after the execution of such agreement has hereafter been authorized by a supplemental order in this proceeding.

The authority herein granted is subject to the following conditions:

1. The notes herein authorized to be issued shall be sold by Midway Gas Company for cash at not less than 95 per cent of their face value plus accrued interest, provided, however, that the authority herein granted to issue or sell notes shall not become effective until the Commission by supplemental order has authorized Midway Gas Company to execute a collateral trust agreement defining the terms and conditions under which the notes may be issued.

2. The proceeds obtained from the sale of the notes herein authorized shall be used by Midway Gas Company to pay in part for the construction of the 60 miles of transmission line referred to in the petition herein.

3. Midway Gas Company shall keep such record of the issue and sale of the notes herein authorized and of the disposition of the proceeds, as will enable it to file, on or before the twenty-fifth day of each month, a verified report as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

4. The authority herein granted will not become effective until Midway Gas Company has paid the fee prescribed by the Public Utilities Act.

5. The authority herein granted will apply only to such notes as may be issued and sold on or before October 1, 1920.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this eighth day of April, 1920.

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DECISION No. 7383.

IN THE MATTER OF THE APPLICATION OF COMPTON TRANSPORTATION COMPANY, A CORPORATION, FOR AN ORDER AUTHORIZING THE ISSUE AND SALE OF STOCK.

Application No. 5057.

Decided April 8, 1920.

N. C. Folsom, for Applicant.

BY THE COMMISSION.

ORDER.

Compton Transportation Company, in its amended application, asks permission to issue at par 20,000 shares ($20,000) of its capital stock; 25 shares to be issued to the incorporators, and 19,975 shares to acquire the properties described in Exhibit "A," as amended.

Applicant was incorporated on or about June 5, 1919, with an authorized capital stock issue of $20.000, for the purpose of conducting an automobile stage line between Long Beach and Huntington Park, and between Huntington Park and Monterey Park.

By decision No. 7285, dated March 18, 1920, the Railroad Commission authorized applicant to acquire the operating rights and privileges granted by the Commission in Decision No. 6188, to W. W. Compton and F. McReynolds. The property which applicant intends to acquire through the issue of $19,975 of stock consists of two nine-passenger Packard automobiles, one twelve-passenger Stevens-Duryea, and four sixteen-passenger Reos, together with materials and supplies on hand, the aggregate net value of which is reported at $20,020.

It appears to the Railroad Commission that the money, property or labor to be procured or paid for with the issue of the stock herein authorized is reasonably required by applicant, and that the expenditures are not in whole or in part reasonably chargeable to operating expenses or to income; therefore

It is hereby ordered, that Compton Transportation Company be, and it is hereby, authorized to issue on or before August 30, 1920, 20,000 shores ($20.000) of its common capital stock.

The authority herein granted is subject to the following conditions:

1. Of the stock herein authorized, 25 shares shall be sold by applicant for cash at not less than par and the proceeds used by it for working capital.

2. The remainder of the stock herein authorized to be issued, 19,975 shares, shall be delivered in exchange for the properties described in Exhibit "A," as amended.

3. Compton Transportation Company shall keep such record of the issue and sale of the stock herein authorized and of the disposition

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of the proceeds as will enable it to file, on or before the twenty-fifth day of each month, a verified report as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

Dated at San Francisco, California, this eighth day of April, 1920.

DECISION NO. 7384.

IN THE MATTER OF THE APPLICATION OF PALMDALE WATER COMPANY FOR PERMISSION TO SELL TO LITTLEROCK CREEK IRRIGATION DISTRICT AND PALMDALE IRRIGATION DISTRICT, MUNICIPAL CORPORATIONS, AND FOR SAID MUNICIPAL CORPORATIONS TO PURCHASE FROM SAID PALMDALE WATER COMPANY, A CERTAIN WATER SYSTEM AND PROPERTY APPURTENANT THERETO.

Application No. 5441.

Decided April 8, 1920.

BY THE COMMISSION.

ORDER.

Palmdale Water Company owns and operates a public utility water system and supplies water for irrigation purposes to consumers in the vicinity of Palmdale, Los Angeles County, California. In the above entitled matter said company makes application to the Railroad Commission for authority to sell said water system to Littlerock Creek Irrigation District and Palmdale Irrigation District, municipal corporations, and said municipal corporations have joined in the application herein, in accordance with the terms of a certain agreement, copy of which is attached to said application and made a part thereof; and it appearing to the Commission that this is not a matter in which a public hearing is necessary and that the application should be granted;

It is hereby ordered, that the above entitled application be, and the same is, hereby granted, on the following conditions:

1. That on or before June 30, 1920, Palmdale Water Company shall file with the Railroad Commission a certified copy of a definite and detailed description of all of the properties transferred, pursuant to the authority herein granted.

2. That within ten (10) days of the time when Palmdale Water Company actually relinquishes possession and control of its public utility water system and transfers same as herein authorized, a certified statement shall be filed with the Railroad Commission by said company, indicating the date upon which such transfer became effective.

Dated at San Francisco, California, this eighth day of April, 1920.

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DECISION No. 7385.

IN THE MATTER OF THE APPLICATION OF THE TRUCKEE RIVER GENERAL ELECTRIC COMPANY FOR INCREASE AND CHANGES IN CERTAIN OF ITS RATES.

Application No. 4990.

Decided April 8, 1920.

RATE OF RETURN—WATER SYSTEMS—OVER-CONSTRUCTION.—The value of ditch system originally constructed for hydraulic mining purposes and subsequently partially used for irrigation purposes, can not be used as a basis for establishing rates, in that such system is considerably over-built for the purpose to which it is at present put and to establish rates upon such values would result in unjust and unreasonable rates greatly in excess of the value of the service rendered.

Revised schedule of rates established for mining, irrigation and domestic purposes, effective within twenty days.

Goodfellow, Eells, Moore and Orrick, by *C. J. Goodell*, for Applicant.

Paul A. McCarthy, Northside Waters Users' Association, for Protestants.

BY THE COMMISSION.

OPINION.

In the above proceeding The Truckee River General Electric Company, an incorporated public utility, asks authority to increase its rates charged for water supplied by its Loon Lake ditch system in El Dorado County, California, for irrigation, industrial, mining and domestic purposes in Georgetown and vicinity. Said company is engaged primarily in the business of hydroelectric generation and distribution of electric light and power to consumers in California and Nevada.

The application alleges in effect that the rates established October 1, 1911, are noncompensatory and do not produce sufficient income to meet the costs of maintenance, operation and taxes, and further, the revenue has been insufficient to meet said charges for a number of years.

Applicant asks that the schedule of increased rates attached to the application be authorized.

A public hearing in this matter was held by Examiner Westover at Cool at which all interested parties were notified and given an opportunity to appear and be heard.

The Truckee River General Electric Company, a subsidiary enterprise of the Sierra Pacific Electric Company, a holding corporation with head offices in Boston, Massachusetts, about 1909 purchased all the water rights and properties of the Loon Lake Water and Power Company for a future hydroelectric development. Said properties included the ditch system herein under discussion.

The early history shows that these ditches were originally constructed from 1852 to 1870 for hydraulic mining purposes, which use has been discontinued, and the present use for other mining and

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industrial purposes is comparatively small. The main use at present is for irrigation purposes, which is in a development stage.

The water supply is obtained by diversion from the Gerle Creek, Little South Fork of Rubicon River and Pilot Creek. A storage of 7200 acre feet is provided in Loon Lake, elevation 6400 feet, located at the head of Gerle Creek. Water is thereby supplied during the period of low flow of the streams. The water is delivered by gravity through about 125 miles of ditch and flumes, the flow being regulated by 7 small earthen reservoirs at and below Georgetown. Elevation at lower end of system is about 1300.

No appraisal of the properties was submitted at the hearing. The cost of the property of the Loon Lake Water and Power Company as of December 31, 1911, as shown on the books, was $322,882.40.

A further consideration of a rate base in this proceeding is unnecessary in view of the fact shown by the evidence that the ditch system, originally built for hydraulic mining purposes, is over-built for its present uses and under the conditions obtaining applicant concedes that it can not reasonably expect a rate schedule established which will produce a full return, to include interest on the capital invested, depreciation, and maintenance and operation expenses. It was admitted such rates would be unduly and unjustly high.

The maintenance and operation expenses for the year 1918 totalled $9,728.49, and for 1919 it increased to $13,859.02, accounted for by increased costs of labor and materials and extra work in repairing flumes and clearing out ditches.

The total income received from the rate schedule in effect was $10,167 for 1919. It is estimated that the rate schedule asked for in the application will yield approximately $15,000 income, based on 1919 water use and adding for the probable new acreage to be irrigated in 1920.

It is evident therefore that applicant is entitled to an increase in rates, and further a comparison with the rates of similar ditch systems in the Sierra foothill region shows that the increased rates asked for are reasonable for like service.

The water users agree to the proposed rate increase providing the company continues to render as good service as during the past season.

ORDER.

The Truckee River General Electric Company having applied to this Commission for an order authorizing it to increase its rates, and a public hearing having been held, and the Commission being fully apprised in the premises:

It is hereby found as a fact that the present rate schedule of the Truckee River General Electric Company, in so far as it differs

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from the rate schedule herein set out, is unjust and unreasonable, and that the rates herein established are just and reasonable rates to be charged by said company for water.

And basing its order upon the foregoing finding of fact, and the other statements of fact contained in the opinion preceding this order;

It is hereby ordered, that the Truckee River General Electric Company be and it is hereby authorized and directed to file with this Commission within twenty (20) days of the date of this order, and thereafter charge the following rates:

Rate Schedule.

	Per miner's inch per day
For irrigation purposes—	
24-hour service continuous flow for irrigation season	$0 25
24-hour service noncontinuous flow during irrigation season	30
Minimum annual payment will be the equivalent of one-quarter of a miner's inch continuous flow for the irrigation season.	
For mining and industrial purposes—	
24-hour service continuous flow for the calendar year	20
24-hour service continuous flow for irrigation season only	25
24-hour service noncontinuous flow during irrigation season only	30
Service for months between irrigation seasons	20
Minimum annual payment will be the equivalent of three miner's inches continuous flow for the irrigation season.	
The above rates are based on the California statute miner's inch, equivalent to one-fortieth of a cubic foot per second.	

Flat Rates.

	Per month
For domestic use—	
1. Residences or tenements of not more than 4 rooms occupied by single families	$1 00
For each additional room	10
For each bathtub or toilet	15
For each private barn, not more than 2 horses or cows	70
For each additional horse or cow	25
For each private garage where autos are washed on the premises	25
2. Sprinkling or irrigation of lawns, shrubbery, gardens, etc., payable every month in the year, per 100 square feet	10
3. Private boarding houses, for each boarder in addition to the family	10
4. Hotels and lodging houses:	
Dining room, from $1.00 to	3 00
For each room with water tap	20
For each room without water tap	10
For each private bathroom	25
5. Public toilets in hotels, lodging houses and public places	1 25
For each additional toilet	50
6. For one public bathtub in hotels, lodging houses, barber shops and bathing establishments	1 25
For each additional public bathtub	50
7. Public urinals in hotels, pool rooms, schools, or any place, for each bowl where a drain is used $1.50 to	3 00
With automatic trap flusher 1.00 to	3 00
8. Photograph galleries, or where water is used for photograph printing and developing, in addition to the store rate	1 00
9. Soda fountains, ice cream and lunch parlors, either alone or in connection with other business	1 00
10. Public garages, including water for washing cars—each automobile	30
Minimum payment	1 50
11. Livery stables and stock yards, per average number of stock fed, each	25
Minimum payment	1 25

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	Per month
12. Stores and shops not otherwise listed, including water for washing windows and sidewalks	$1 00
13. Additional for each bathtub or flush toilet in 8 to 13 inclusive	25
14. For use of water for operating any apparatus by water power, according to use of water—75 cents to	4 00
15. For living rooms in connection with stores or shops, in addition to the store rate	50
16. Building work:	
For mortar or to dampen brick, per 1000 bricks	20
For cement work and plastering, each barrel of cement or lime used	20
17. Each public watering trough	1 00

Dated at San Francisco, California, this eighth day of April, 1920.

DECISION NO. 7386.

IN THE MATTER OF THE APPLICATION OF INTRASTATE WAREHOUSE COMPANY FOR AN ORDER AUTHORIZING THE ISSUE AND SALE OF ITS CAPITAL STOCK AND THE PURCHASE OF CERTAIN PROPERTY; AND OF LANCASTER FEED AND FUEL COMPANY FOR AN ORDER AUTHORIZING THE TRANSFER OF CERTAIN PROPERTY TO INTRASTATE WAREHOUSE COMPANY. (PURSUANT TO SECTION 52, PUBLIC UTILITIES ACT OF CALIFORNIA.)

Application No. 5431.

Decided April 8, 1920.

Lawrence L. Larrabee, for Applicant.

BRUNDIGE, *Commissioner*.

OPINION.

The Railroad Commission is asked to make an order authorizing applicant, Lancaster Feed and Fuel Company, to sell, and applicant, Intrastate Warehouse Company, to buy, the warehouse business, building and equipment hitherto owned and conducted by the applicant, Lancaster Feed and Fuel Company, and authorizing applicant, Intrastate Warehouse Company, to issue 41 shares ($4,100) of stock at par for the purpose of acquiring the warehouse properties of Lancaster Feed and Fuel Company and provide itself with some working capital.

Attached to the petition is a copy of the bill of sale, in which the properties to be sold and transferred are described as follows:

> That certain frame warehouse building located on land leased by first party from Southern Pacific Company, adjoining to, and on the easterly side of, said Southern Pacific Company's right of way, between Ninth and Tenth streets at Lancaster, California; together with the warehouse business conducted thereat by first party, first party's lease to said land from Southern Pacific Company; and the warehouse equipment used at said warehouse by first party and consisting of one electric stacker, four hand-trucks, one set of dormant scales, and one set of team scales.

Lancaster Feed and Fuel Company is engaged primarily in the business of dealing at wholesale and retail in farm products and supplies, and incidentally, in conducting a public warehouse at Lancaster, California. Its warehouse properties, described above, are

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valued by applicants at $3,800. The company has agreed to accept in exchange for the properties $3,800 of capital stock of Intrastate Warehouse Company. In addition to the $3,800 of stock, Intrastate Warehouse Company asks permission to issue $300 par value (3 shares) of stock for cash to its incorporators for the purpose of qualifying them as stockholders and officers of the company. The cash will be used for working capital.

I herewith submit the following form of order:

ORDER.

Lancaster Feed and Fuel Company having applied to the Railroad Commission for authority to sell its warehouse property and business to Intrastate Warehouse Company, and Intrastate Warehouse Company having joined in the application and having asked permission to issue $4,100 of stock, a public hearing having been held, and the Railroad Commission being of the opinion that the money, property or labor to be procured by Intrastate Warehouse Company through the issue of said stock is reasonably required by it, and that the expenditures are not reasonably chargeable to operating expenses or to income;

It is hereby ordered, that Lancaster Feed and Fuel Company be, and it is hereby, authorized to sell and Intrastate Warehouse Company to purchase the properties described in the bill of sale attached to the petition herein.

It is hereby further ordered, that Intrastate Warehouse Company be, and it is hereby, authorized to issue $4,100 of its common capital stock.

The authority herein granted is subject to the following conditions:

1. Of the stock herein authorized, $3,800 shall be delivered by Intrastate Warehouse Company to Lancaster Feed and Fuel Company in payment for the properties described in the bill of sale attached to the petition herein and $300 of the stock shall be sold for cash and the proceeds used by Intrastate Warehouse Company for working capital.

2. Intrastate Warehouse Company shall keep such record of the issue and sale of the stock herein authorized and of the disposition of the proceeds as will enable it to file, on or before the twenty-fifth day of each month, a verified report as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

3. The price paid for the properties herein authorized to be transferred shall never be urged before this Commission, or other public body, as a measure of value of said properties for rate fixing or any purpose other than the transfer herein authorized.

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4. The authority herein granted will apply only to such stock as may be issued on or before September 1, 1920.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this eighth day of April, 1920.

DECISION No. 7389.

IN THE MATTER OF THE APPLICATION OF SIERRA MADRE TELEPHONE AND TELEGRAPH COMPANY, A CORPORATION, FOR AN ORDER AUTHORIZING THE FILING OF CERTAIN CHARGES AND AUTHORIZING SAID COMPANY TO CONTINUE THESE CHARGES IN EFFECT.

Application No. 4813.

Decided April 8, 1920.

BY THE COMMISSION.

ORDER OF DISMISSAL.

Sierra Madre Telephone and Telegraph Company, on August 1, 1919, having filed its application in the above entitled proceeding asking the Railroad Commission for an order authorizing applicant to continue in effect certain charges theretofore provided for in Order No. 1931, Bulletin No. 5, issued by the Postmaster General of the United States on August 28, 1918, as modified by Bulletin No. 8, issued September 14, 1918, and Bulletin No. 15, issued November 18, 1918, and differing from the charges theretofore filed with the Railroad Commission under its Decision No. 2879, decided November 5, 1915, and in effect, and the Railroad Commission having on August 1, 1919, issued its General Order No. 57, in the matter of the rates and charges, rules and regulations, of all telephone utilities operating in the State of California, providing, in part, that all of said telephone utilities shall immediately resume and put into effect all of the rules and regulations applicable to such utilities set forth in this Commission's Decision No. 2879 and the rules and regulations filed with this Commission by said utilities in accordance with and under the purview of said decision;

It is hereby ordered, that the application herein be and it is hereby dismissed.

Dated at San Francisco, California, this eighth day of April, 1920.

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DECISION NO. 7394.

IN THE MATTER OF THE APPLICATION OF MOKELUMNE RIVER POWER AND WATER COMPANY, A CORPORATION, FOR ESTABLISHMENT OF A SCHEDULE OF RATES TO BE CHARGED FOR WATER FURNISHED BY IT IN CALAVERAS COUNTY.

Application No. 4943.

Decided April 8, 1920.

R. W. Hawley, for Applicant.
J. T. Plilier, for Protestants.

BY THE COMMISSION.

OPINION.

Mokelumne River Power and Water Company, applicant herein, asks the Railroad Commission for authority to establish a comprehensive schedule of rates to be charged for all classes of water service rendered by it, such rates to provide a substantial increase in revenue.

Applicant alleges in effect that it is a public utility engaged in the business of supplying water for domestic, irrigation, mining and industrial purposes to consumers in the unincorporated towns of Mokelumne Hill, Campo Seco and Valley Springs, and the territory adjacent thereto in Calaveras County; that the revenue derived from the operation of its system is insufficient to meet the cost of maintenance, operation and repairs, without any interest return upon capital investment or any sum for depreciation reserve, and further that no payment is made for fire protection or for street sprinkling in the several communities served by it, thereby unjustly burdening other patrons.

The Mokelumne River Power and Water Company was incorporated in 1907, succeeding the Mokelumne and Campo Seco Canal and Mining Company, a corporation, organized in 1852 or 1853. The ditch system was originally constructed and water used primarily for hydraulic mining operations. The water supply is obtained by diversion from the South Fork of the Mokelumne River and distributed to the consumers by gravity. The present operative portion of the system consists of about 37 miles of main canal, 12 miles of laterals and the diversion dam, tunnels, flumes, pipe siphons and other necessary structures on these canals; also six small earthen distributing reservoirs with appurtenant structures and lands, together with the pipe distribution systems in the towns. Hydraulic mining has ceased, and the present use for other mining and industrial purposes has decreased in recent years by reason of the closing down of mines. Irrigation use is small, being in its development stage.

A public hearing was held in this matter before Examiner Satterwhite at Valley Springs, of which all interested parties were notified.

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An inventory and estimated cost of the property filed with the application as Exhibit "D" gives the total for operative property $411,500 and for nonoperative property $264,000, not including any value for water rights. No other appraisal was submitted.

A further consideration of a rate base in this proceeding is unnecessary since the evidence shows that the investment is disproportionate to the present uses of water with a resulting overbuilt system.

Applicant concedes that under present conditions of use of water it can not expect a rate schedule established that will produce a full return to include interest on the investment, depreciation allowance and the maintenance and operation expenses. The evidence further shows the general condition of disrepair of the ditches, pipe siphons and pipe distribution systems and the resulting large seepage losses and waste of water, also a consequent heavy annual maintenance expense.

It is evidently unfair to the few consumers now using water to burden them with the entire expense which is necessitated because of the extensive system originally constructed and operated to deliver water for hydraulic mining. The consumers should not be required to pay rates higher than the service is reasonably worth and consideration should be given to rates which obtain for like service in similar localities in the Sierra foothill region, some of which rates were introduced in evidence.

The maintenance and operation expenses for the year 1918 totalled $10,097.09, and for 1916 and 1917 approximately the same amount. The evidence shows that these totals include certain amounts for material and labor for repair of flumes that may properly be charged to replacement of flumes, which have reached a condition when continual repair is necessary, but it is a difficult matter in the case of flumes to determine the point where the repairs should be charged to replacement.

The total income received from the rate schedule in effect was $5,954.58 for 1916, $8,923.63 for 1917 and $4,645.34 for 1918. The increase in 1917 was due principally to increased mining use which has since been discontinued, and in 1918 the water shortage caused the supply for certain periods to be cut off below Mokelumne Hill, thereby reducing the income.

The record of water consumption during 1919 shows: Domestic use, 121 consumers on a flat rate; mining use (2 mines operating), about 21,000 miner's inch days; and irrigation use on 60 acres, about 1800 miner's inch days.

After a careful consideration of all the facts and the evidence, the rate schedule established in the accompanying order has been com-

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puted and is designed to yield a reasonable return to this utility under present operating conditions and use of water.

ORDER.

The Mokelumne River Power and Water Company, a corporation, having applied to this Commission for an order authorizing it to increase its rates, a public hearing having been held, and the Commission being fully apprised in the premises;

It is hereby found as a fact that the present rate schedule of Mokelumne River Power and Water Company, in so far as it differs from the rate schedule herein set out, is unjust and unreasonable, and that the rates herein established are just and reasonable rates to be charged by said company for water.

And basing its order upon the foregoing finding of fact and the other statements of fact contained in the opinion preceding this order;

It is hereby ordered, that Mokelumne River Power and Water Company be and it is hereby authorized and directed to file with this Commission within twenty (20) days of the date of this order, and thereafter charge, the following rates for water served its consumers.

Rate Schedule.

DOMESTIC USE.

To apply to all users on separate premises in whatever ownership.

Monthly flat rates.

1.	Residences and tenements of four rooms or less occupied by a single family	$1 30
	For each additional room	10
	Additional for each flush toilet or bathtub	20
	For each private barn—not more than two horses or cows	60
	For each additional horse or cow	25
2.	Private boarding houses, for each roomer or boarder, in addition to the family rate	15
3.	Irrigation of lawn, garden, grounds, etc., payable every month in the year, per 100 square feet	10
4.	Livery stables and stockyards, per average number of stock fed, each	25
5.	Wagon and blacksmith shops	2 00
6.	Public garages, average 4 autos or less	3 00
	For each additional auto	50
7.	Barber shops, for single chair	1 50
	For each additional chair	50
8.	Soda fountains and soft drinks, ice cream or lunch places, either alone or in connection with other business	1 50
9.	Creameries, slaughter houses, bakeries and laundries—$2.00 to	5 00
10.	Billiard parlors, fraternal halls, churches, plumbing shops, stores and shops not otherwise listed	1 00
11.	Barns in connection with stores, shops, etc., not more than two horses	50
	For each additional horse	25
12.	Additional for each bathtub, flush toilet or urinal in 4 to 11	50
13.	Private garages, where cars washed on premises, for each auto kept	50
14.	For use of cold storage machines in addition to store rate—$2.00 to	6 00
15.	Living rooms in connection with stores or shops, additional to store rate	75
16.	For use of hose in front of stores and shops for washing windows and sprinkling sidewalks and roadway, according to frontage—$0.25 to	1 00

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17. Hotels and lodging houses—	
For dining room	$2 50
For bedrooms without running water	20
For bedrooms with running water	30
For each bathtub	50
For each flush toilet or urinal	30
18. For each hydrant especially installed for fire protection or for the individual use of persons, firms or corporations for fire service exclusively	1 25
19. Water for all purposes or establishments not specified in above schedule, charged for at measured rates.	

Measured rates.

1. Minimum monthly payments.	
⅝-inch or ¾-inch meter	1 25
1-inch meter	2 00
1½-inch meter	2 75
2-inch meter	3 50
2. Quantity rates per 100 cubic feet—	
For use between 0 and 2,000 cubic feet per month	30
For use over 2,000 cubic feet per month	20

Meters may be installed at the option of the consumer or the company. When a meter is installed at the request of a consumer, a deposit may be required, such a deposit to be returned to the consumer as a credit on monthly water bills at the rate of one-tenth of the deposit per month. The following deposits may be required:

For ⅝-inch meter	$14 00
For ¾-inch meter	18 00
For 1 -inch meter	22 00
For 1½-inch meter	40 00
For 2 -inch meter	68 00

Irrigation, mining and industrial uses.

	Per miner's inch per day
For irrigation season—	
24-hour service, continuous flow	$0 35
12-hour service, continuous flow	20
24-hour service, noncontinuous flow	45
For calendar year—	
24-hour service, continuous flow	$0 30
12-hour service, continuous flow	15

Minimum annual payment will be the equivalent of one-quarter of a miner's inch continuous flow for the irrigation season.

The above rates are based on the California statute miner's inch, equivalent to a flow of 1/40 of a cubic foot per second.

Dated at San Francisco, California, this eighth day of April, 1920.

DECISION NO. 7406.

IN THE MATTER OF THE APPLICATION OF THE TULARE HOME TELEPHONE AND TELEGRAPH COMPANY, A CORPORATION, FOR AN ORDER AUTHORIZING IT TO ISSUE AND SELL TEN THOUSAND DOLLARS FACE VALUE OF SERIES "B" BONDS.

Application No. 5464.

Decided April 9, 1920.

Sanborn and Rochl, by *A. B. Rochl*, for Applicant.

BRUNDIGE, *Commissioner*.

OPINION.

The Tulare Home Telephone and Telegraph Company asks permission to issue and sell $10,000 of its series "B" 6 per cent bonds

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at not less than 93 per cent of their par value, plus accrued interest, for the following purposes:

To reimburse its treasury on account of capital expenditures	$2,000 00
Purchase new section switchboard	2,500 00
For installing new cable	4,200 00
For installing 65 new telephones	1,300 00
Total	$10,000 00

Mr. G. C. Harris, president of The Tulare Home Telephone and Telegraph Company, testified that since January 1, 1920, the company has expended from income $2,000 to pay for permanent extensions, additions and betterments to its plant; that it is necessary for the company to add a new section to its switchboard at an estimated cost of $2,500, extend its lines and install new cables at an estimated cost of $4,200 and expend about $1,300 to install new telephones. The record shows that the company intends to construct a new line for a distance of three blocks on East San Joaquin street; build an extension on East Tulare street; install a cable on Tulare street for a distance of two blocks, and extend the present cable on East San Joaquin street to the city limits.

The Tulare Home Telephone and Telegraph Company has an authorized stock issue of $25,000, all of which, except $70, is outstanding.

It also has an authorized bond issue of $25,000, divided into $15,000 of series "A" and $10,000 of series "B" bonds. The series "A" bonds have been heretofore issued pursuant to authority granted by the Railroad Commission.

In Decision No. 7110, dated February 11, 1920, in Application No. 4861, it appears that the company in that proceeding submitted an appraisal of its properties, as of October 15, 1919, showing a cost of reproduction new of $72,033.82; that the $72,033.82 is based upon 1919 prices for labor and material; that the Commission's engineers estimated the property to be in a 77.5 per cent condition; that deducting accrued depreciation upon this basis the company's valuation would be reduced to the sum of $55,826 without taking into consideration the assertion of the Commission's engineers that some of the prices for material and labor used in the company's computation were too high, and that the Commission's engineers estimated the historical cost new of the properties to be $47,207.

For 1919 The Tulare Home Telephone and Telegraph Company reported gross operating revenues of $23,601.33 and a net income—the amount remaining after payment of operating expenses, taxes, depreciation and interest—of $3,892.21.

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I herewith submit the following form of order:

ORDER.

The Tulare Home Telephone and Telegraph Company, having applied to the Railroad Commission for permission to issue $10,000 of its series "B" 6 per cent bonds, a public hearing having been held, and the Railroad Commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required for the purpose or purposes specified in this order, and that the expenditures for such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income;

It is hereby ordered, that The Tulare Home Telephone and Telegraph Company be, and it is hereby, authorized to issue $10,000 of its series "B" 6 per cent bonds.

The authority herein granted is subject to the following conditions:

1. The bonds herein authorized shall be sold by applicant for cash, on or before August 1, 1920, for not less than 93 per cent of their face value, plue accrued interest.

2. The bonds shall be sold for the purposes set forth in the application, which are:

(*a*) To reimburse applicant's treasury on account of capital expenditures	$2,000 00
(*b*) To purchase new section switchboard	2,500 00
(*c*) To install new cables and construct extensions	4,200 00
(*d*) To install 65 new telephones	1,300 00
Total	$10,000 00

3. The Tulare Home Telephone and Telegraph Company shall keep such record of the issue and sale of the bonds herein authorized and of the disposition of the proceeds as will enable it to file, on or before the twenty-fifth day of each month, a verified report as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

4. The authority herein granted will not become effective until applicant has paid the fee prescribed in the Public Utilities Act.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this ninth day of April, 1920.

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Decision No. 7408.

IN THE MATTER OF THE APPLICATION OF PORT COSTA WAREHOUSE COMPANY, A CORPORATION, E. A. STRAUSS OF LONDON, DOING BUSINESS AS STRAUSS AND COMPANY, AND NORTHERN GRAIN AND WAREHOUSE COMPANY, A CORPORATION, CREATED, ORGANIZED AND EXISTING UNDER THE LAWS OF THE STATE OF OREGON, FOR PERMISSION TO ISSUE STOCKS, PROMISSORY NOTES, ETC.

Application No. 5498.

Decided April 9, 1920.

Hugh K. McKeritt, for Applicants.

MARTIN, *Commissioner*.

OPINION.

This application involves the issue of $150,000 of common stock by Port Costa Warehouse Company, the issue of a $25,000 6 per cent two-year note by Strauss and Company and the issue of a $25,000 two-year 6 per cent note by Northern Grain and Warehouse Company.

The record shows that Port Costa Warehouse and Dock Company has entered into an agreement to sell for $150,000 its warehouse properties and business located near Port Costa to Strauss and Company of London, England, a copartnership consisting of E. A. Strauss and Northern Grain and Warehouse Company, a corporation, organized and existing under and by virtue of the laws of the State of Oregon.

The purchasers agree to pay $50,000 of the purchase price in cash, $50,000 at the end of one year, and $50,000 at the end of two years. The deferred payments are to be represented by two $25,000 one-year 6 per cent notes and by two $25,000 two-year 6 per cent notes. One of the $25,000 notes payable in one year will be signed by Strauss and Company; the other by Northern Grain and Warehouse Company; while one of the two-year $25,000 notes will be signed by Strauss and Company and the other by Northern Grain and Warehouse Company. The notes signed by Strauss and Company are to be endorsed by Northern Grain and Warehouse Company and those signed by Northern Grain and Warehouse Company by Strauss and Company.

Both Strauss and Company and Northern Grain and Warehouse Company are willing to turn the properties and their interest therein over to Port Costa Warehouse Company in exchange for $150,000 of that company's capital stock. One-half of the stock will be issued to and held by Strauss and Company; the other half by Northern Grain and Warehouse Company. The notes issued by Strauss and Company and Northern Grain and Warehouse Company will be paid

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by them and not assumed by the Port Costa Warehouse Company. Applicants agree to hold the stock in escrow until the entire indebtedness is discharged.

For the year 1918 the Port Costa Warehouse and Dock Company reported operating revenues of $60,008.36 and for 1919, $84,744.97. The operating expenses for 1918 are reported at $50,844.05 and for 1919 at $59,524.20, leaving net operating revenues at $9,164.31 and $25,220.77 respectively.

I believe that this application should be granted and therefore submit the following form of order.

ORDER.

Port Costa Warehouse Company, having applied to the Railroad Commission to issue $150,000 of its common capital stock, and Strauss and Company and Northern Grain and Warehouse Company having applied to the Commission for permission to issue notes of the aggregate face value of $50,000, a public hearing having been held, and the Railroad Commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required for the purpose or purposes specified in this order, and that the expenditures for such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income;

It is hereby ordered, that Port Costa Warehouse Company be and it is hereby authorized to issue $150,000 of its common capital stock for the purpose of acquiring free and clear of all encumbrances, the properties purchased by Strauss and Company and Northern Grain and Warehouse Company from Port Costa Warehouse and Dock Company, said properties being referred to in the agreement attached to the petition herein.

It is hereby further ordered, that Strauss and Company be and it is hereby authorized to issue a $25,000 two-year 6 per cent note, and Northern Grain and Warehouse Company a $25,000 two-year 6 per cent note, for the purpose of paying in part for the properties which they intend to acquire from Port Costa Warehouse and Dock Company.

The authority herein granted is subject to the following conditions:

1. The stock herein authorized shall be held in escrow until Strauss and Company and Northern Grain and Warehouse Company have paid the indebtedness incurred in connection with the purchase of the properties of Port Costa Warehouse and Dock Company.

2. The price paid for the properties of Port Costa Warehouse and Dock Company shall never be urged before this Commission or other public body having jurisdiction, as a measure of value of the properties for fixing rates or any purpose other than the transfer herein authorized.

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3. Applicant shall keep such record of the issue and sale of the stock and notes herein authorized and of the disposition of the proceeds as will enable them to file, on or before the twenty-fifth day of each month, a verified report as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

4. The authority herein granted shall not become effective until applicants have paid the fee prescribed in the public utilities act.

5. The authority herein granted will apply only to such stock and notes as may be issued on or before August 1, 1920.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this ninth day of April, 1920.

DECISION No. 7411.

IN THE MATTER OF THE JOINT APPLICATION OF THE CORONA HOME TELEPHONE AND TELEGRAPH COMPANY, A CORPORATION, AND THE CORONA UNION TELEPHONE AND TELEGRAPH COMPANY, A CORPORATION, FOR AUTHORITY TO INCREASE RATES FOR TELEPHONE SERVICE.

Application No. 4993.

Decided April 9, 1920.

Walter S. Clayson, for Applicants.
G. R. Freeman, for City of Corona.

MARTIN, *Commissioner.*

OPINION.

The Corona Home Telephone and Telegraph Company and the Corona Union Telephone and Telegraph Company, hereinafter referred to as the company, in Application No. 4993, asks the Commission's authority to increase rates for telephone service, alleging that its present rates, which were established on May 15, 1919, upon approval of the Postmaster General of the United States, were inadequate to meet the increased operating costs due to higher cost of both material and labor and at the same time yield a fair return upon its investment in plant.

A hearing was held in Corona on November 22, 1919. At that time the Corona Home Telephone and Telegraph Company was the holding company and owned the system, while the Corona Union Telephone and Telegraph Company operated the system under a lease from the holding company. The officers of both companies were identical. On December 12, 1919, the Commission's authority to disincorporate

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the operating company was requested and on January 2, 1920, this authority was granted providing the holding company would operate the telephone properties covered by the lease. For this reason this application has been treated as if one company owned and operated the plant.

The rates in effect at present are as follows:

Classification	Business	Residence
Individual line, wall	$3 00	$2 25
Two-party line, wall	2 75	2 00
Four-party line, wall	2 50	1 75
Eight-party line, wall	2 25	1 50
Extensions, wall	1 00	1 00
Extension bells	25	25

Special rates—Firemen, ministers and police call boxes, wall, $1.25.

Desk sets are 25 cents per month additional on all of above rates.

The rates herein shall apply within a radius of three miles in any direction by air line from the central office switchboard. For either business or residence service located beyond the three-mile radius herein provided mileage charges as indicated for the class of service selected may apply in addition to the above rates for each airline mile or fraction thereof per month, as follows:

One-party	50 cents per month per mile or fraction
Two-party	35 cents per month per mile or fraction
Four-party	25 cents per month per mile or fraction
Eight-party	15 cents per month per mile or fraction

At the hearing the company presented a valuation of its property and introduced evidence as to present operating revenue and expenses, together with estimates of operating revenue and expenses for the future.

The inventory quantities presented by the applicant were checked by the Commission's engineers, who made and presented an independent valuation of the physical property, both used and useful, which was owned by the company. From an analysis of these appraisals submitted by the company and the Commission's engineers I am of the opinion that a fair valuation of this property for rate-making purposes will be approximately $55,000, and suggest this amount as a proper rate basis.

For the period November 1, 1918, to November 1, 1919, the books of the company show that the gross revenue of the company was $15,657, and the total expenses including depreciation allowance, taxes and uncollectible revenue, was $13,827.14, leaving a net income of $1,830.01 for the company. It is apparent, however, that these figures can not be used as criteria in estimating the net income for the future, when it is recalled that the company operated for seven months during this period under the rates authorized by the Commission on November 1, 1915. The rates at present effective are materially higher than the above, and have been in effect only since June 1, 1919. The reserve for depreciation requested by the company is $1,600 per year higher than the Commission's engineers' estimated reserve required

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to replace the entire property in approximately fifteen years. Adding this $1,600 excess for depreciation reserve, with about $400 which should be amortized over a period of years and not all charged to one year's operating expenses, along with the $1,800 net income shown for this period, it is my opinion that the company has made a fair return upon their investment.

During the year 1920 the company may reasonably expect an estimated revenue of $17,700, based upon a three per cent increase in business if the present rates are not changed. The Commission's engineers made a careful estimate of the expenses for the same period, and allowing an increase in pay to all employees of about 12 per cent, find they amount to approximately $13,400. It is apparent therefore that the company will receive adequate return upon its investment without increasing its rates.

I recommend that the Commission order the company to provide the following classes of service and to charge the following rates:

Classification	Business	Residence
Individual line, wall	$3 00	$2 25
Two-party line, wall	2 75	2 00
Four-party line, wall	2 50	1 75
Eight-party line, wall	2 25	1 50
Extensions, wall or desk	1 00	1 00
Extension bells	25	25

Desk telephones are 25 cents additional per month for all classes of service unless otherwise noted.

The rates herein shall apply within a radius of three miles in any direction by an air line from the central office switchboard. For either business or residence service located beyond the three-mile radius herein provided, mileage charges as indicated for the class of service selected may apply in addition to the above rates for each airline mile or fraction thereof per month, as follows:

Individual line	50 cents per month per mile or fraction
Two-party line	35 cents per month per mile or fraction
Four-party line	25 cents per month per mile or fraction
Eight-party line	15 cents per month per mile or fraction

The rules and regulations heretofore established and filed with this Commission as provided in Decision No. 2879, decided November 5, 1915, shall continue in effect.

Service.

The service furnished by the applicant appears to be satisfactory to the subscribers, since very little complaint was made at the hearing. In investigating the equipment of the company the Commission's engineers, however, noticed several slight defects which would affect the service of the entire exchange and which could be eliminated entirely with closer supervision. In my judgment the company should make every effort to improve the service, although a general complaint has not been made against it.

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The company is to be commended upon the fact that it is setting aside a depreciation fund for the replacement of worn out or inadequate plant when it becomes necessary to do so.

I recommend the following form of order:

ORDER.

Corona Home Telephone and Telegraph Company and Corona Union Telephone and Telegraph Company having filed with the Commission their joint application for an increase in rates, a hearing having been held, the matter having been submitted and the Commission basing its conclusions on the foregoing opinion, finding as a fact that the rates authorized and the classes of service prescribed in this order are just and reasonable;

It is hereby ordered, that the applicants establish and file with the Commission within thirty days of the date of this order a schedule of rates and services as outlined in the foregoing opinion. Upon approval by the Commission of the schedules so filed, applicants are authorized to put these rates into effect, subject to the following conditions:

(*a*) Adequate and efficient telephone service must be rendered at all times for all classes of service.

(*b*) A depreciation reserve of $2,000 per annum in installments of $166.66 per month shall be set aside in a special fund for the purpose of maintaining the plant in good condition and shall be used for such purpose only or as may be authorized by the Commission.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this ninth day of April, 1920.

DECISION NO. 7412.

IN THE MATTER OF THE APPLICATION OF MOUNT WHITNEY POWER AND ELECTRIC COMPANY, A CORPORATION, FOR AN ORDER ESTABLISHING JUST AND REASONABLE RATES FOR THE SALE OF ELECTRICITY.

Application No. 5172.

Decided April 9, 1920.

BY THE COMMISSION.

SUPPLEMENTAL ORDER.

Whereas, in Decision No. 7304 in the above entitled matter, dated the twenty-third day of March, 1920, all the then existing rate schedules, including certain flat rate schedules, of Mount Whitney Power and Electric Company were cancelled; and

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Whereas, it appears that Mount Whitney Power and Electric Company has not been able to install meters upon all flat rate services and will not be able to do so prior to the commencing of service to certain of these consumers;

It is hereby ordered, that Mount Whitney Power and Electric Company be and the same is hereby authorized to charge and collect from such consumers served without meters the basic schedule rates heretofore in effect plus a surcharge of 30 per cent for all service rendered on and after April 1, 1920, until such time as meters are installed.

Dated at San Francisco, California, this ninth day of April, 1920.

DECISION No. 7419.

IN THE MATTER OF THE APPLICATION OF LOS GATOS TELEPHONE COMPANY FOR THE ESTABLISHMENT OF A NEW SCHEDULE OF RATES FOR ALL GRADES OF TELEPHONE SERVICE.

Application No. 5054.

Decided April 9, 1920.

The Commission denies the petition of applicant herein to increase its present rates for telephone service when investigation shows that such schedules provide a return of 12.39 per cent on undepreciated or 17.97 per cent on depreciated value of its property after charging off operating expenses, depreciation, interest, taxes, etc.

Applicant directed to set aside the sum of $2,172 annually as depreciation reserve, such amount to be expended only as directed by the Commission.

F. F. Watkins, for Applicant.

E. D. Flint, for Protestants.

BRUNDIGE, *Commissioner.*

OPINION.

Los Gatos Telephone Company, a California corporation, applicant in this proceeding, owns and operates a local telephone system serving the town of Los Gatos and adjacent territory within an approximate radius of three miles, in Santa Clara County. The application sets forth that the increased expense of carrying on business, due largely to increased costs of material and labor without a corresponding increase in revenues, has reduced the net income to a point which may necessitate the discontinuance of dividends, and asks that the Commission authorize an increase of 25 cents per month for residence telephones, 50 cents per month for business telephones, and other minor changes in rates effective prior to June 1, 1919.

A public hearing was held in Los Gatos on December 5, 1919.

On June 1, 1919, under authority of the Postmaster General of the United States, applicant placed in effect a schedule of rates which increased the rates theretofore filed with the Railroad Commission

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and in effect. Authority is sought for a further increase of 25 cents per month for business telephones and to make permanent the residence rates which were made effective June 1, 1919. The rates which were filed with the Railroad Commission and in effect prior to June 1, 1919, herein referred to as the former rates, those which were made effective on June 1, 1919, under the authority of the Postmaster General, herein referred to as the present rates, and the rates now proposed, herein referred to as the proposed rates, are as follows:

	Former rates		Present rates		Proposed rates	
	Wall	Desk	Wall	Desk	Wall	Desk
Business service—						
One-party	$2 50	$2 50	$2 75	$2 75	$3 00	$3 00
Two-party	2 25	2 25	2 50	2 50	2 75	2 75
Eight-party harmonic selective suburban[1]	3 00	3 25	3 25	3 50	3 50	3 75
Suburban magneto nonselective[2]	5 00	5 75	5 75	6 50	6 50	7 25
Extension set[3]	1 00	1 00	1 25	1 25	1 50	1 50
Residence service—						
One-party	2 50	2 50	2 75	2 75	2 75	2 75
Two-party	2 00	2 00	2 25	2 25	2 25	2 25
Four-party	1 50	1 75	1 75	2 00	1 75	2 00
Eight-party harmonic selective suburban[1]	2 50	2 75	2 75	3 00	2 75	3 00
Suburban magneto nonselective[2]	5 00	5 75	5 75	6 50	5 75	6 50
Extension set, with bell	1 00	1 00	1 25	1 25	1 25	1 25
Extension set, without bell	50	50	75	75	75	75

	Former rates	Present rates	Proposed rates
Mileage charge beyond exchange radius—			
Per quarter mile or fraction thereof:			
One-party	$0 50	$0 50	$0 50
Two-party	35	35	35
Four-party	25	25	25
Extension bells—			
Regulation	25	25	25
Extra loud gong		35	35
Extra listings in directory	50	50	50
Moving charges for moving telephone sets and changes in type of instruments—			
Moving from one location to another in the same room	1 00	1 00	1 00
Moving from one room to another on same premises		1 50	1 50
Change of instrument from wall to desk set or vice versa, except when changing to higher class of service	1 00	1 00	1 00

Exchange radius extends one mile from switchboard in straight line. All rates are monthly and payable in advance, except as otherwise specified.

[1]Applies outside of one mile radius.

[2]Quarterly rates.

[3]Including one listing in directory.

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This company was organized on November 16, 1910, at which time it purchased the then existing property from The Pacific Telephone and Telegraph Company for the sum of $16,430, paying for same out of the proceeds of stock which it issued and sold. It now has issued and outstanding $24,050 in common capital stock, inclusive of that issued to purchase the property, fully invested in plant. It also has an outstanding note for $1,000 issued for the purpose of purchasing central office equipment. It thus has outstanding in the hands of the public $25,050 which it has invested in this property. It admits that all additional moneys which have been put into the property have been invested out of earnings. During the seven years, 1913–1919, it has paid an 8 per cent dividend each year to its stockholders, these dividend payments aggregating the sum of $13,007.16. According to the petition, applicant had invested in plant, as of December 31, 1918, $44,344.85, and, as shown by its annual report for the year 1919, it invested in additions and betterments the further sum of $2,733.56 during the year, making the total investment to December 31, 1919, $47,078.41. Thus, if applicant's own statements are correct, since its organization in November 1910, the company has earned and paid in dividends or reinvested in plant at least $35,035.57. Its books show a present surplus of $13,614.60.

Applicant has submitted to the Commission an incomplete inventory and appraisal of its plant showing a valuation, undepreciated, of $33,407.85. To this figure have been added certain items omitted from the inventory which make the total valuation as of December 1, 1919, $44,110.85. The Commission's engineers have made a separate appraisal as of the same date showing on an historical basis a total reproduction cost, undepreciated, of $44,330 and a total depreciated reproduction cost of $30,652. A copy of this appraisal has been furnished the applicant and has been accepted by applicant as being satisfactory.

The Commission's engineers have made an analysis of applicant's present revenue and expense accounts as shown by the company's books, and have also made an estimate of revenues and expenses under the proposed rates and estimated operating costs.

The income statement for the year 1919, as shown in the annual report on file with the Railroad Commission, shows an income of $3,659.75. This figure represents a return of 8.2 per cent on a property valuation of $44,330, or 11.94 per cent on $30,652. The rates which were in effect during the first five months of 1919 were lower than the rates now charged. Thus, the amount of subscribers' station revenues included in this income statement is less than these

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revenues now are under present rates. Under operating expenses included in this statement, applicant has charged $3,120 to depreciation. This is at the rate of 7 per cent on the book value of the property and is an excessive charge. On the other hand, certain items of operating expense are now higher than they were during a part of the year 1919. This income statement, therefore, does not reflect present conditions.

Taking as a basis for determining present revenues, the actual receipts for the year 1919, except for subscribers' station revenues, and, for this item, the present volume of business at present rates, there will be shown an increase of $2,119.08 in gross revenues over those shown in the annual report for the year 1919. Total annual revenues thus are shown to be $20,941.08. Applicant estimates that total annual operating expenses, including $3,300 for depreciation reserve, insurance, taxes, rent, interest, etc., based upon present costs, will be $16,918. The Commission's engineers estimate that an allowance for annual depreciation reserve of $2,172 will be a reasonable allowance in this case. This is at the rate of 4.9 per cent on the undepreciated reproduction cost of the property, $44,330. Figured on this basis, and allowing for salary increases made effective January 1, 1920, amounting to $516 per year, it is estimated that the total operating expenses, including depreciation, taxes, insurance, rent, interest, etc., will be $15,446. This will leave a gross income of $5,495, representing a return of 12.39 per cent on $44,330 or 17.92 per cent on $30,652. It thus appears that applicant is not entitled to the rate increase herein sought.

Heretofore applicant has charged the same rate to all one-party line subscribers, both business and residence, and in most cases no differentiation in rates has been made as between desk set and wall set equipment for subscribers' telephones. It is my opinion that a differentiation in rates should be provided as between business and residence service and as between desk set and wall set equipment. The rates herein recommended will so provide and, in my opinion, will yield revenues sufficient to meet increased operating costs and provide an ample return on applicant's investment.

I recommend that applicant be authorized to make effective the following schedule of rates:

Business Unlimited Service.	Wall Set	Desk Set
One-party line	$2.75	$3.00
Two-party line	2.25	2.50
[1]Eight-party line, harmonic selective	3.25	3.50
Ten-party line, suburban, magneto non-selective	2.50	2.75
[2]Extension sets	1.00	1.00

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Residence Unlimited Service.

One-party line	$2.25	$2.50
Two-party line	2.00	2.25
Four-party line	1.75	2.00
[1]Eight-party line, harmonic selective	2.75	3.00
Ten-party line, suburban, magneto non-selective	2.00	2.25
Extension sets without bell	.50	.50
Extension sets with bell	1.00	1.00

PRIVATE BRANCH EXCHANGE SERVICE.

Business Commercial Unlimited Service.

Switchboard with battery and power circuit and operator's set	$5.00
First bothway trunk line	4.75
Each additional bothway trunk line	3.56
Each station within same building in which switchboard is located, wall or desk set	1.00
[3]Each station outside of building and within 300 feet of switchboard	1.50

Business Hotel Unlimited Service.

Switchboard with battery and power circuit, operator's set and not to exceed 15 drops	$2.00
Each additional group of 5 drops, per group	.20
First bothway trunk line	4.75
Each additional bothway trunk line	3.56
Each station, wall or desk set, in guest rooms—	
1 to 10 inclusive	.50
11 to 20 inclusive	.45
21 to 35 inclusive	.40
36 to 50 inclusive	.35
Over 50 inclusive	.25

The rates herein apply within a radius of one mile from the switchboard, air line measurement. Beyond the one mile radius, mileage charges apply for each quarter mile or fraction thereof, as follows:

One-party line, per month	$0.50
Two-party line, per month	.35
Four-party line, per month	.25
Extension bells, regulation gong, per month	.25
Extension bells, extra loud gong, per month	.35
Extra listing in directory, per month	.25
Moving telephone sets from one room to another on same premises	1.50
For change of instrument from wall set to desk set, or vice versa, except when changing to a higher class of service	1.00

[1]This class of service furnished outside of one mile radius only.

[2]Including one listing in directory if member of firm.

[3]For private branch exchange stations located outside of premises in which private branch exchange switchboard is located, add 50 cents per month for each quarter mile or fraction of circuit involved.

Rules and regulations established under Decision No. 2879 of the Railroad Commission to continue in effect.

The following order is recommended.

ORDER.

Los Gatos Telephone Company, a corporation, having filed its application with the Railroad Commission for authority to increase its rates for telephone service in the city of Los Gatos and adjacent territory in Santa Clara County, and a public hearing having been held:

It is hereby found that the rates heretofore charged for telephone service by said applicant are unjust and unreasonable, and that

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the rates hereinafter provided are just and reasonable; and basing its conclusion thereon;

It is hereby ordered, by the Railroad Commission, that said applicant be and it is hereby authorized and directed to file with the Railroad Commission within thirty (30) days from the date of this order and immediately thereafter to charge and collect rates as provided in the foregoing opinion.

The authority herein is granted subject to the conditions following:

(1) Adequate and efficient telephone service shall be provided at all times for all classes of service.

(2) A depreciation reserve of $2,172 per year, in equal monthly installments of $181, shall be set aside for the purpose of maintaining the plant in good condition and shall be used for such purposes only, or as may be authorized by the Commission.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this ninth day of April, 1920.

DECISION NO. 7420.

IN THE MATTER OF THE PETITION OF THE BEAUMONT IRRIGATION DISTRICT TO FIX THE VALUATION OF THE PROPERTY OF THE BEAUMONT LAND AND WATER COMPANY.

Application No. 4910.

IN THE MATTER OF THE PETITION OF THE BEAUMONT IRRIGATION DISTRICT TO FIX THE VALUATION OF THE PROPERTY OF THE SAN GORGONIO WATER COMPANY.

Application No. 4911.

Decided April 10, 1920.

Evans, Abbott and Pearce, by *W. E. Evans*, for Beaumont Irrigation District.
Carnahan and Clark, by *H. L. Carnahan*, for Respondents.

MARTIN, *Commissioner*.

OPINION.

The above entitled matters are petitions brought by the Beaumont Irrigation District, asking that the Railroad Commission fix and determine the just compensation to be paid to the Beaumont Land and Water Company and the San Gorgonio Water Company for their lands, properties and rights, of every character whatsoever, devoted to the purpose of furnishing water in the territories served by them.

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A public hearing was held in said matters, and thereafter a stipulation was entered into by and between all of the parties to said proceedings, which stipulation provided in effect that the above entitled matters be consolidated and considered jointly; that evidence offered in either may be considered in the other, so far as applicable; that the reports made by the engineers for petitioner and engineers for respondents, together with all reports made by the Railroad Commission's engineers, may be deemed as having been received in evidence in each of said proceedings and may be considered by said Railroad Commission in each of said matters in appraising, determining and fixing the compensation to be paid for the properties of respondents; that the properties of both respondents may be considered as a whole and that the Commission may make its findings fixing in a single sum the just compensation to be paid by the Beaumont Irrigation District for the properties of both the Beaumont Land and Water Company and the San Gorgonio Water Company.

It appears that the main items comprising the combined systems of the companies herein sought to be appraised are approximately 1022 acres of water-bearing land, three reservoirs of a total capacity of 865,000 gallons, seven wells, four pumping plants, 48,405 feet of transmission mains and 222,584 feet of distribution mains. A detailed inventory of the properties under consideration herein is attached to this Decision and marked "Exhibit A."

Appraisals of the properties in question were made by H. B. Lynch and A. L. Sonderegger for the Beaumont Irrigation District, H. Hawgood and E. R. Bowen for the water companies; and M. E. Ready, one of the Railroad Commission's engineers, prepared and submitted an appraisal for the Commission.

The following tabulation shows the estimated cost new less depreciation of the physical properties, including overhead, but does not include any value for real estate, rights of way or water rights:

Property of	Petitioner's appraisal	Companies' appraisal	Railroad Commission's appraisal
Beaumont Land and Water Company	$102,245	$121,064	$109,527
San Gorgonio Water Company	59,553	63,992	55,352
Totals	$161,798	$185,056	$164,879

Subsequent to the hearing in this matter, a conference was held in the office of the Commission at which the various interests were represented. It was agreed to adopt $147,430 as cost new less depreciation of all of the properties of the company excepting real estate, water rights and overhead, and no agreement on these last named

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elements was reached. Adding to these figures the estimates of overhead, lands and water rights submitted by Engineers Lynch and Sonderegger for the Beaumont Irrigation District, and also that submitted by Engineers Hawgood and Bowen for the water companies, brings the total estimate of the district's engineers to approximately $224,110, and that submitted by the companies' engineers to $317,330. The Commission's engineers did not submit a final estimate of the value of the real estate and water rights, but their tentative figure covering real estate and water rights added to their estimate of the physical properties totals approximately $191,022.

Subsequent to the hearings held at Beaumont and Los Angeles in these proceedings an agreement was reached between the representatives of the petitioner and the water companies, it being agreed that the water companies would accept the sum of $170,000 and the district would submit the proceedings upon this basis, provided this Commission deemed the sum a reasonable sum to be paid for the properties involved.

Inasmuch as the appraisal of petitioner's engineers totalled $224,110, and that submitted by respondents is $317,330, and that submitted by the Commission's engineers, which includes a tentative appraisal of real estate, is $191,022, it appears that the sum of $170,000 is a fair and reasonable sum to be paid by the Beaumont Irrigation District for these properties. This conclusion is further substantiated by a careful analysis of the testimony submitted at the hearings held herein, and it is recommended that this sum be found as the just compensation to be paid for these properties.

I therefore submit the following findings:

FINDINGS.

The Beaumont Irrigation District having filed with the Railroad Commission petitions as entitled above, and the Railroad Commission having proceeded, under the provisions of section 47 of the Public Utilities Act, to fix and determine the just compensation to be paid to the Beaumont Land and Water Company and the San Gorgonio Water Company for all the lands, properties and rights of every character whatsoever, owned by them and devoted to the purpose of furnishing water; public hearings having been held, and the Railroad Commission's engineers having submitted an appraisal, and an agreement having been reached by and between the parties hereto which, based upon its appraisal and other data submitted, appears to the Commission to be fair as to the compensation to be paid for said properties:

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It is hereby found as a fact that $170,000 is a fair and just compensation to be paid to the Beaumont Land and Water Company and the San Gorgonio Water Company, jointly, for their lands, properties and rights, as described in "Exhibit A" attached hereto and made a part hereof, devoted to the service of water.

The foregoing opinion and findings are hereby approved and ordered filed as the opinion and findings of the Railroad Commission of the State of California.

Dated at San Francisco, California, this tenth day of April, 1920.

EXHIBIT "A."

Inventory of the Water Properties of the San Gorgonio Water Company, Located at Beaumont, California.

Transmission main, consisting of riveted steel pipe, ranging from 3 inches to 13 inches in diameter, and 12-inch cement pipe, approximately a total of 26,835 feet.

Distribution main, consisting of riveted steel pipe from 3 inches to 8 inches in diameter, galvanized screwed pipe from ½ inch to ¾ inch in diameter, and black screwed pipe from 1 inch to 2 inches in diameter, approximately a total of 111,714 feet.

Two reservoirs, capacity approximately 338,000 gallons, with buildings, fence and land covered by same.

Meters from ⅝ inch to 3 inches, approximately a total of 354 meters.

Service connections, from ½ inch to 3 inches, approximately 554 in number.

Hydrants, valves and gates, from 1½ inches to 8 inches, approximately 414.

Water, measured under 4-inch pressure, 63.3 miner's inches.

Half interest in office equipment, consisting of addressograph and check writer.

One filing case.

One adding machine.

Maps.

Tools, pipes and fittings.

All rights of way or interest therein acquired or owned by said company.

Contract with P. J. Roach et al., the obligations of which are to be assumed and performed by the district.

Any other obligations for furnishing water to any and all persons, heretofore incurred by the San Gorgonio Water Company, pursuant to the previous operations of said company, to be assumed by the Beaumont Irrigation District.

Inventory of the Water Properties of the Beaumont Land and Water Company, Located at Beaumont, California.

All of the following property located in the Beaumont Valley, San Bernardino County and Riverside County, California.

All transmission mains from 4 inches to 12 inches in diameter, of riveted steel and cement pipe, from 6 inches to 10 inches in diameter, approximately of a total length of 21,570 feet.

Distribution mains, consisting of ¾-inch standard screwed galvanized pipe, 1-inch to 2-inch black pipe, 4-inch to 12-inch riveted steel pipe, 6-inch to 8-inch cement pipe, approximately of a total length of 111,753 feet.

Meters, ⅝-inch to 2-inch, approxiately 65 in number.

Service connections, ½-inch to ¾-inch galvanized, 2-inch to 4-inch black pipe, 6-inch to 16-inch cement pipe, approximately 287.

Gate valves, 2-inch to 12-inch, approximately 34.

Pressure regulator, 4-inch.

Transmission and division boxes, approximately 47.

Concrete reservoir, capacity about 550,000 gallons.

Telephone lines, approximately 2½ miles in length, together with telephones.

Six wells—2, 15-inch; 1, 16-inch; 2, 12-inch; 1, 10-inch.

One shaft, 5 feet in diameter.

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BUILDINGS.

Pumping plant No. 1, galvanized iron building, with oil house, sheds, garage, superintendent's house.

Equipment in plant No. 1.

2 engines.
2 compressors.
1 Pelton wheel.
1 water wheel.
1 electric generator.
All belting, pipe, hose and tanks, miscellaneous tools and fittings.
3 air lifts for wells.

Pumping plant No. 7, well.

1 building, corrugated iron.
1 engine.
1 Layne and Bowler pump, belting, piping, tanks and fittings.

Pumping plant No. 6, well.

1 building, galvanized iron.
1 engineer's house.
1 engine.
1 Layne and Bowler pump.
Miscellaneous belting, piping tanks and fittings.

Pumping plant, shaft No. 4.

1 building.
1 oil house.

Miscellaneous property.

Miscellaneous tools, pipe and fittings.
Well casing.
Small gas engine.
1 2-inch pump.
1 concrete mixer.
Wagons, scrapers, plows, harness.
2 horses.

Miscellaneous buildings.

Zanjero's house, barn shed and stable in Edgar Canyon.

Office building in Beaumont, California.

Warehouse and shed rear of office building.
Small frame building adjoining office building.

Office furniture and fixtures.

1 half interest in addressograph.
1 half interest in check writer.
3 desks.
1 safe.
1 typewriter.
1 file case.
Maps, miscellaneous office furniture.

REAL ESTATE.

(*Acreage More or Less.*)

East half of the east half of the southeast quarter of section ten, township two south, range one west, San Bernardino Base and Meridian, San Bernardino County, California, excepting therefrom 6.21 acres conveyed to E. B. Webb by deed dated July 29, 1912—33.79 acres.

West half of section eleven, township two south, range one west, San Bernardino Base and Meridian, San Bernardino County, California—320 acres.

Undivided one-half of the south half of the northeast quarter and the west half of the southeast quarter of section fourteen, township two south, range one west, San Bernardino Base and Meridian, Riverside County, California—160 acres.

All that part of the west half of section fourteen, township two south, range one west, San Bernardino Base and Meridian, Riverside County, California, not included in the map of the Mellon orchard tract, as per map recorded in the recorder's office of Riverside County, California, in book 6 of Maps, at page 72, and not included in the map of subdivision No. 2 of La Mesa Miravilla, as per map recorded in the recorder's office of Riverside County, California, in book 9 of Maps, at page 33—130.66 acres

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Northeast quarter of section twenty-three, township two south, range one west, San Bernardino Base and Meridian, Riverside County, California—160 acres.

All that part of the northwest quarter of section twenty-three, township two south, range one west, San Bernardino Base and Meridian, Riverside County, California, not contained in the map of the subdivision of La Mesa Miravilla as recorded in the recorder's office of Riverside County, California, in book 6 of Maps, at page 79—(approximated) 25 acres.

East half of the northeast quarter of the southwest quarter of section twenty-three, township two south, range one west, San Bernardino Base and Meridian, Riverside County, California—20 acres.

All that part of the west half of the northeast quarter of the southwest quarter; the northwest quarter of the southwest quarter and the northwest quarter of the southwest quarter of the southwest quarter of section twenty-three, township two south, range one west, San Bernardino Base and Meridian, Riverside County, California, not contained in the map of the subdivision of La Mesa Miravilla recorded in the recorder's office of Riverside County, California, in book 6 of Maps, at page 79, and excepting therefrom eighty-two hundredths of an acre conveyed by deed to M. L. Davidson, dated November 5, 1918—(approximated) 49.58 acres.

All that part of the east half of section twenty-two, township two south, range one west, San Bernardino Base and Meridian, Riverside County, California, lying east and easterly of the county road so called, excepting therefrom the part thereof contained in the subdivision of La Mesa Miravilla according to the plat thereof recorded in the recorder's office of Riverside County, California, in book 6 of Maps, at page 79, and also excepting one and eighty-six hundredths acres conveyed to Nellie Foster by deed dated March 1, 1919, sixty hundredths of an acre conveyed to Jane H. Street by deed dated January 24, 1913, and five and seventy-two hundredths acres conveyed to G. H. Fick by deeds dated December 8, 1909, and June 7, 1910—(approximated) 103.10 acres.

All that part of the east half of the east half of the southwest quarter of section twenty-two, township two south, range one west, San Bernardino Base and Meridian, Riverside County, California, lying easterly of blocks one and two of the subdivision of Edgar Vineyard tract as per map recorded in the recorder's office of Riverside County, California, in book 6 of Maps, at page 30, excepting therefrom one and three-hundredths acres conveyed to Emil C. Alexander and Marie B. Myers by deed dated July 28, 1916, and one and twenty-five hundredths acres conveyed to Emil C. Alexander by deed dated December 16, 1918—(approximated) 13.37 acres.

All that part of the east half of the northwest quarter of section twenty-seven, township two south, range one west, San Bernardino Base and Meridian, Riverside County, California, and not contained in the subdivision of Edgar Vineyard tract as per map thereof recorded in the recorder's office of Riverside County, California, in book 6 of Maps, at page 30—(approximated) 6.22 acres.

Lots six and seven in block one hundred and twelve of the city of Beaumont, as per amended map of said town (now city) recorded in the recorder's office of San Bernardino County, California, in book 6 of Maps, at pages 16 and 17.

North and south strip 20 feet wide along section line between sections thirty-four and thirty-five, township two south, range one west, San Bernardino Base and Meridian, length one mile—2.42 acres.

All rights of way acquired, owned or reserved by said company.

Contracts with Hannon et al., the obligations of the Beaumont Land and Water Company under the same to be assumed by the district.

Contract with P. J. Roach et al., the obligations of the Beaumont Land and Water Company under same to be assumed by the district.

Any other obligations for furnishing water to any and all persons heretofore incurred by the Beumont Land and Water Company pursuant to the previous operations of said company to be assumed by the Beaumont Irrigation District.

Together with all rights of way, easements and franchises now owned, held and controlled by the said company, or heretofore reserved by it, for the purpose of laying and maintaining pipes, transmission lines, telephone lines or other means of transporting or conveying water to the various consumers located upon the distributing systems of said company; together with all reserved water rights reserved in any lands heretofore conveyed by said company and all water and water rights owned, reserved or controlled by the land heretofore conveyed.

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DECISION NO. 7422.

IN THE MATTER OF THE APPLICATION OF HORACE NELSON, STOCKHOLDERS AUXILIARY CORPORATION, A CORPORATION, AND APANOLIO WATER COMPANY, A DISSOLVED CORPORATION, FOR PERMISSION FOR THE SAID STOCKHOLDERS AUXILIARY CORPORATION, A CORPORATION, AND SAID APANOLIO WATER COMPANY, A DISSOLVED CORPORATION, TO SELL THEIR INTERESTS IN THE HALF MOON BAY WATER COMPANY TO SAID HORACE NELSON.

Application No. 5522.

Decided April 12, 1920.

BY THE COMMISSION.

ORDER.

Stockholders Auxiliary Corporation, a corporation, which owns a six-fifteenth interest, and Apanolio Water Company, a dissolved corporation, whose board of directors, acting as trustees, owns a four-fifteenth interest in Half Moon Bay Water Company, a copartnership, having applied to the Railroad Commission for permission to sell their interest for $1,000 and $666.66, respectively, to Horace Nelson, and Horace Nelson having joined in the application and having reported that he and Wm. Meisner, who owns a five-fifteenth interest in Half Moon Bay Water Company, intend to combine their interests in the water company and make all necessary improvements;

And the Commission being of the opinion that this is a matter in which a public hearing is not necessary, and that the application should be granted; now, therefore

It is hereby ordered, that Stockholders Auxiliary Corporation and Apanolio Water Company be and they are hereby authorized to sell their respective interests in Half Moon Bay Water Company described in the petition herein to Horace Nelson.

The authority herein granted is subject to the following conditions:

1. The price paid by Horace Nelson for the properties referred to in this petition shall never be urged by him, his successors or assigns, before this Commission as a measure of value of said properties for rate fixing or any purpose other than the transfer herein authorized.

2. Within thirty (30) days after the execution of the deed or bill of sale, Horace Nelson shall file with the Railroad Commission a certified copy of such deed or bill of sale.

3. The authority herein granted will apply only to such sale as may be made on or before October 1, 1920.

Dated at San Francisco, California, this twelfth day of April, 1920.

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DECISION NO. 7424.

IN THE MATTER OF THE APPLICATION OF SOUTHERN CALIFORNIA EDISON COMPANY, A CORPORATION, FOR AN ORDER ESTABLISHING JUST AND REASONABLE RATES FOR THE SALE OF ELECTRICITY.

Application No. 5394.

Decided April 15, 1920.

ABNORMAL EXPENSES—MAINTENANCE OF CREDIT—CONSUMERS TO PROVIDE FOR.—It is held that the credit of a public utility engaged in large hydroelectric development work should be maintained to permit it to carry out such work and when it appears that abnormal increases in operating expenses will so impair its credit as to curtail such development, an additional surcharge should be made effective which will return to the utility a reasonable income on its investment.—Hydroelectric development is vitally necessary to the growth of the community and consumers should be willing to pay rates which will insure the continuation of such work.

MUNICIPALITIES, SALE OF ENERGY TO—RATES FOR.—Municipalities purchasing energy in wholesale quantities from a public utility are required to bear their reasonable pro rata of the increases in cost of producing such energy. The same increases established for the city of Los Angeles as that made effective to other consumers of applicant.

COMPETITIVE SERVICE—INCREASES IN RATES—ABSORPTION OF BY UTILITY.—In a municipality where the service of applicant is in competition with a municipally operated system, applicant is permitted to absorb the loss in revenue due to continuation of the old rates, provided such loss is not transferred to other consumers, and that applicant make every possible effort to secure from such consumers their just proportion of increase in operative costs.

Applicant authorized to establish increases of approximately 27 per cent effective April 20, 1920.

Roy V. Reppy and *B. F. Woodward*, for Applicant.

E. I. Feemster and *C. H. Holley*, for San Joaquin Valley Public Utility Association.

G. A. French, for City of Riverside.

James F. Farraher, for Farm Bureau of Kern County.

F. G. Wingert, for City of Whittier.

L. O. Hatch, for City of Eagle Rock.

M. O. Hert, for City of Colton.

H. F. Orr, for City of San Buena Ventura.

T. C. Gould and *Grant M. Lorrain*, for City of Alhambra.

G. H. Scott, for City of Santa Ana.

L. W. Blodgett, for City of Huntington Beach.

E. J. Marks, for Cities of Fullerton and Brea.

R. V. Orbison and *William Hazlett*, for City of South Pasadena.

E. B. Criddle, for Southern Sierras Power Company.

Earl E. Moss, for Ojai Power Company.

N. B. Bachtell, for Farmers of Antelope Valley.

George L. Hoodenpyl, for City of Long Beach.

Charles S. Burnell and *Jess Stephens*, for City of Los Angeles; *Howard Robertson* and *W. B. Mathews*, for Public Service Commission, City of Los Angeles; *H. Z. Osborn, Jr.*, for Board of Public Utilities, City of Los Angeles.

Frank Karr, for Pacific Electric Railway Company.

C. L. McFarland, for Riverside Portland Cement Company.

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Lew H. Wallace, for City of Newport Beach.
H. G. Ames, for City of Anaheim.
William Guthrie, for City of San Bernardino.
Glenn D. Smith, for Ontario Power Company.
Thomas B. Reed, for City of Covina.
Clyde Woodworth, for Cities of Inglewood, El Segundo and Beverly Hills.
Victor McLucas, for City of Santa Monica.
W. W. Phelps, for City of Hermosa Beach.

EDGERTON, *Commissioner*.

OPINION.

Southern California Edison Company applies herein for a comprehensive examination and investigation of its electric rates and an order of the Commission authorizing it to establish just and reasonable permanent rates. It points out, however, that the revenues which it will obtain for the year 1920, based upon its existing rates and the surcharges heretofore authorized by Decision No. 6000 (Opinions and Orders of the Railroad Commission of the State of California, Vol. 16, page 301), will be insufficient to maintain its financial status and to yield a sufficient return upon its business for the year 1920. Applicant urges that it is of paramount importance that its income be maintained this year to make possible the continuance of its power development program to meet the growing demands upon its system. It asks, therefore, pending the complete rate investigation, which will of necessity consume a considerable period of time, that it be granted such temporary increases in its rates as shall be necessary.

Hearings were held in Los Angeles on March 25, 26, 27, and 31, 1920, and the proceeding, in so far as it refers to the emergency condition, was thereupon submitted with the understanding that one week's time be granted to all protestants and interested parties to file, in writing, statements bearing upon the question of temporary increases. Such statements have been filed on behalf of City of Alhambra, Ojai Power Company, city of Whittier, farmers of Antelope Valley, Riverside Portland Cement Company and city of Los Angeles. The matter is now ready for decision.

The present consideration of electric rates of Southern California Edison Company is, then, confined to the extent to which this utility is entitled to temporary relief on account of conditions which it is anticipated will prevail during the remainder of the year 1920. The Commission will proceed later with the final adjustment of permanent rates as applied for.

In substance, Southern California Edison Company asks that it be granted such temporary rate increases as will enable it not only to meet the increases in its operating expenses due to the present shortage of hydroelectric power and the increases in its costs of oil, labor and

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materials, but also to preserve its earning capacity and credit sufficiently to permit it to continue to command funds for the extensive program of power development now under way.

The following table shows the revenues, operating expenses, comparative capital, and return on investment for the year 1919 and a forecast by applicant for the year 1920 under the rates and surcharges now in effect:

SOUTHERN CALIFORNIA EDISON COMPANY.

Revenue and Expenses.

	1919	Estimated, 1920	Increase
Gross revenue (including S. J. & E. Ry. gross revenue and Los Angeles city net)	$10,398,895	$11,797,000	$1,398,105
Operating expenses—			
Production:			
Labor and supplies	712,084	980,000	267,916
Fuel	1,796,181	3,101,000	1,304,819
Energy from other sources	327,265	1,307,000	979,735
Less power exchange	*476,528	*452,000	24,528
Net production	$2,359,002	$4,936,000	$2,576,998
Railway operation	216,934	254,000	37,066
Transmission	191,716	229,000	37,284
Distribution	532,058	771,000	238,942
Commercial	252,360	262,000	9,640
General expense	430,538	548,000	117,462
Taxes	622,728	700,000	77,272
Uncollectible bills	34,455	40,000	5,545
Total operating expenses	$4,639,791	$7,740,000	$3,100,209
Net revenue	$5,759,104	$4,057,000	*$1,702,104
Depreciation	1,000,000	1,100,000	100,000
Return on investment	$4,759,104	$2,957,000	*$1,802,104
Capital—comparative	$65,516,396	$70,984,000	$5,467,604

*Decrease.

The major items of increased expenses over 1919 shown above are as follows:

(1) Increase of approximately 13 per cent in the power demands of applicant's consumers, or a total requirement of 130,000,000 kilowatt hours in excess of 1919.

(2) Estimated reduction of 28,000,000 kilowatt hours of hydroelectric plant output due to excessive draft on storage during 1919.

(3) Increase in cost of labor, both due to enlarged business and increases in salaries which have been granted.

(4) Increase in price of fuel oil of 25 cents per barrel by Oil Producers, effective in March, 1920.

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The first two items of increased cost have caused an increase in estimated expense of $1,873,082 in fuel and purchased energy. The increased cost of labor, on account of higher wages and salaries, is $350,000 for the year, while supplies have increased $85,000. The latest increase in oil, of 25 cents per barrel, represents an added cost of production of $436,000. The remaining increase in expense is due to increased labor and supplies on account of growth of business and extensions to plants and system. It is apparent from an analysis of these costs, that 80 per cent of the total estimated increase bears on the cost of production.

The figures submitted by Edison Company are based upon a recurrence in 1920 of 1919 water conditions, except that it is not regarded advisable by Edison Company to deplete its water shortage to as great an extent as during 1919. It is probable, if early rains occur during the fall of the current year, that a greater output of hydroelectric power may be anticipated and a corresponding reduction in operating expenses will result. Edison Company contemplates safeguarding its power supply very fully but it is doubtful that this should be carried to the extent proposed, because Southern California Edison Company and San Joaquin Light and Power Corporation will each have an additional 30,000 kilowatt hydroelectric plant in operation by November 1, 1920, and with these plants in operation, it does not appear that the water in storage need be conserved to a greater extent than during 1919. A reduction in expenses of from $150,000 to $300,000 as compared with the estimate by Edison Company can be effected if stored water is used fully this year.

Compared with a normal year of hydroelectric power, the output of applicant's water power plants is estimated to be 200,000,000 kilowatt hours short, requiring applicant to expend $2,558,000 more to provide such deficiency from steam plants and by purchase of power. This sum represents approximately 3.5 per cent return on investment.

The net return on the business of the consolidated Edison properties as shown in Decision No. 6000, *supra,* and in the evidence herein, has varied from a minimum of 6.6 per cent in 1918, to a maximum of 7.69 per cent in 1917, based upon the relative capital invested, the actual results for the year 1919 being 7.26 per cent. To earn the same rate of return in 1920 as was produced by the surcharges in 1919, an increase in revenue of $2,190,000 would be required for the year 1920 over and above that resulting from the present rates and surcharges. This figure, however, is based upon Edison Company's estimates of 1920 operating expenses and which may be reduced slightly.

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Applicant submits two estimates of the additional needed revenue for 1920 based upon the bond interest and dividend requirements plus a margin of surplus.

This set-up is based upon considerations which would prevail in normal times, and the required revenue can be reduced from the estimates made by applicant by considering the actual needs of the company for fixed charges, leaving consideration of surplus or margin over the actual requirements to a time when the very severe conditions of high cost is past, or until a permanent rate structure is established. If applicant, in a year when its operating expenses, due to water shortage alone, have been temporarily increased $2,500,000 above the average, is given a return sufficient to pay its fixed charges, including interest and amortization, and reasonable dividends, it is receiving all that its consumers should be required to pay and all it is justly entitled to receive. The return in normal years of rainfall will make up any deficit below a fair return.

Applicant's general manager urges that it be granted an increase in rates that will yield $2,685,000 for the year 1920, requiring an average of 32½ per cent upon the revenues for the nine months commencing April 1st. It appears that if the reduced cost resulting from greater draft from storage be made and applicant's gross revenue be increased $2,100,000 during the remainder of the year, it would have at least sufficient to meet its obligations and maintain its credit.

It is vitally necessary for the continued growth and prosperity of the vast territory in Southern California supplied by applicant with electric energy, that its full program of development go forward without serious interruption. I believe it to be in the interest of consumers that they pay rates sufficient reasonably to enable the company to earn a fair and reasonable return upon the actual investment. Unless this is done, it is plain that the utility can not borrow sufficient funds to carry forward necessary developments. It is of great importance that this program of development go forward. Should there be any halt in this program it is evident that tremendous losses will result to the whole community if sufficient electric energy is not developed to meet the growing demands. It is becoming increasingly evident that the business life of a community such as Southern California is in a very large measure dependent for its growth and expansion, and, in some instances, even its continued operation upon electric energy and as the cost of steam generation is constantly increasing, the necessity for the cheaper production of electricity by hydroelectric development has become more and more recognized.

Of course, it is not to be understood that the Railroad Commission urges the payment of unreasonable rates to stimulate investment in

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this public utility, but when it is considered that to place this company in a position where it can successfully finance will not result at this time in even an eight per cent return on investment it will at once be realized that the burden upon the consumer is not unreasonable.

In considering the granting of an increase in rates of the amount herein contemplated, I am especially mindful of the fact that applicant has been diligently active in the enlarging of its production and transmission facilities since the consolidation of the properties in 1917; it has shown an active determination to carry on development; and, from the evidence presented, has exerted every reasonable effort to meet the demands of the territory served in the face of the difficulties arising from the war period of 1918, and the period of readjustment and high costs of money, material and labor which have continued since. Applicant's evidence shows that it has definite plans for the development of both water and steam power projects to meet its requirements for at least eight years in the future at an estimated cost of $100,000,000.

Applicant asks that additional temporary revenue be obtained by a percentage increase effective for the remainder of the year, on all its bills for electricity and that the surcharges now in effect be incorporated in its existing rate schedules, thereby permanently increasing each rate thereof, upon which the proposed percentage would apply.

In applicant's Exhibit No. 10, Mr. S. M. Kennedy, General Agent, presented a slight revision of its rate schedule, whereby the present surcharge, authorized in Decision No. 6000, was included as part of the rate schedule. Certain of the power rates were increased 25 cents to absorb the difference in revenue resulting from minimum bills. These charges only slightly modify the charge and appear advisable, with the exception of certain proposed increases in demand charges. I conclude from the evidence that, in view of the emergency condition, a percentage increase be added to the bills based on the rates as set forth in the schedules shown in applicant's Exhibit No. 10, and with certain revisions in bills based on other rates and contracts, special or otherwise, including the surcharge heretofore authorized in Decision No. 6000.

On this basis an increase of 27 per cent of the bills as above computed will be required to obtain the $2,100,000 heretofore found necessary.

The city of Los Angeles urges that, due to various reasons, it be exempted from any surcharge or increase in rates which may be granted to applicant. Representatives of other municipalities and consumers of applicant urge that the city of Los Angeles should be treated the same as other consumers of the company. After considering the reasons urged by the city of Los Angeles and the evidence

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in this proceeding, I must conclude that the Edison Company is, under the present emergency proceeding, entitled to receive from the city of Los Angeles the same surcharge as charged to other wholesale consumers.

The Ojai Power Company protests an increase on the ground that its rates for power are higher than that charged for other utilities. There appears, however, to have been special conditions in connection with the rendering of service to this consumer which would apparently justify a differential in the rate. The additional surcharge to be authorized at this time should apply to all service by the Edison Company, both wholesale and retail, with exception of service to San Joaquin Light and Power Corporation. The existing arrangement by which San Joaquin Light and Power Corporation purchases power from applicant being based on actual cost of production, automatically provides for the proper increase in rates to this customer.

Owing to competitive conditions, the Southern California Edison Company was granted the right to waive the surcharge authorized in Decison No. 6000, *supra*, in the city of Pasadena and a portion of South Pasadena, provided it would absorb the loss in revenue resulting, which amounted, during 1919, to $27,900. This loss was not, therefore, allowed to burden other consumers. The company does not ask that the surcharge applied for in this proceeding be waived in the city of Pasadena, and it appears that, under the present abnormal conditions and the need of increased rates to make possible extensive financing, that applicant should exert every effort possible to collect from the consumers in the city of Pasadena their just proportion of the increased cost. Applicant will be expected to charge and collect the same percentage surcharge for lighting and power service in the city of Pasadena at this time as is authorized for other communities. The waiver of the basic increases authorized in Decision No. 6000 is continued and this amount must be deducted by applicant from its surplus.

The following table sets forth the estimated sales of applicant for 1920, together with the revenue under present rates, including surcharges, also the additional percentage increase of 27 per cent herein authorized, together with an estimate of the revenue which would be obtained was this increase in effect for the entire year of 1920. As this increase, however, will be effective only for approximately eight and one-third months of the year, the increase to be obtained will be approximately $2,100,000, or the amount herein considered as a just and reasonable increase.

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SOUTHERN CALIFORNIA EDISON COMPANY.

Electric Revenue and Surcharge Increases—1920.

	Kilowatt hour sales	Revenue present charges	Increase in revenue, 27 per cent surcharge	
			12 month basis	Remainder 1920
Light—				
Municipal street lighting	6,730,000	$380,000	$102,600	$72,000
Residence and commercial	30,620,000	2,320,000	626,400	438,000
Total lighting	37,350,000	$2,700,000	$729,000	$510,000
Power—				
Combination heating and cooking	3,240,000	$97,000	$26,190	$18,300
Commercial power	270,270,000	4,115,000	1,111,050	860,000
Railway power	273,000,000	1,900,000	537,300	405,000
City of Los Angeles	80,000,000	800,000	216,000	100,000
Santa Barbara Electric Co.	10,500,000	115,000	31,050	23,300
Mount Whitney Power and Electric Co.	73,000,000	605,000	163,350	150,000
All other electric corporations	16,000,000	150,000	40,500	40,000
Total power	726,010,000	$7,872,000	$2,125,440	$1,596,600
Totals	763,360,000	$10,572,000	$2,854,440	$2,106,600

I recommend the following form of order:

ORDER.

Southern California Edison Company having applied to the Commission for authority to increase its rates for electric service by the addition of a temporary surcharge, hearings having been held, the matter having been submitted and now ready for decision:

The Railroad Commission hereby finds as a fact that the basic rates together with the surcharges authorized in Decision No. 6000, now in effect, are insufficient to supply Southern California Edison Company with an adequate return under the present abnormal conditions, and that the charges, including the 27 per cent surcharge herein set forth and authorized, are just and reasonable.

Basing its order on the foregoing finding of fact and on the other findings of fact contained in the opinion which precedes this order;

It is hereby ordered, that Southern California Edison Company be and the same is hereby authorized to charge and collect for electric energy sold, for metered service rendered based upon all regular meter readings taken on and after April 20, 1920, and for flat rate municipal and private street lighting service rendered on and after April 20, 1920, the rates and surcharge hereinafter set forth for service rendered, not including service rendered under the operating agreement with the city of Los Angeles from the distribution system within the city.

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Rate.

Schedules Nos. L-1, L-5, L-6, L-7, L-8, L-9, L-10, as revised and set forth in applicant's Exhibit No. 10.

Schedule No. L-2 as now on file and in effect.

Schedules Nos. C-1 and C-2 as revised and set forth in applicant's Exhibit No. 10.

Schedules Nos. P-1, P-2, P-3, P-4, P-5, P-8, P-9, P-10, P-11, P-12, P-14, P-15, P-16, P-17, P-18, P-20, P-26, P-27, P-30, P-33, as revised and set forth in applicant's Exhibit No. 10.

Schedule No. P-25 as now on file and in effect.

Schedules Nos. P-6, P-7, P-19, P-28, and P-31 as now on file plus 0.25 cents per kilowatt hour.

All special rates and rates and contracts not above listed for service rendered, including surcharge where authorized in Decision No. 6000, and including service to Mount Whitney Power and Electric Company and city of Los Angeles.

Additional Surcharge.

Twenty-seven per cent of the bills based on rates and charges above set forth.

It is hereby further ordered, that Southern California Edison Company shall file with the Commission the revised schedules herein set forth, together with the surcharges authorized on or before April 20, 1920.

It is hereby further ordered, that Southern California Edison Company shall file with the Railroad Commission on or before May 31, 1920, and on the thirtieth day of each and every month thereafter, a statement showing its operating revenues and expenses for the preceding month, and such other information as the Commission may hereafter require.

The percentage surcharge herein authorized shall continue in effect until the twentieth day of January, 1921, unless otherwise ordered by this Commission.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this fifteenth day of April, 1920.

DECISION No. 7426.

IN THE MATTER OF THE APPLICATION OF MODESTO GAS COMPANY, A CORPORATION, FOR AN ORDER AUTHORIZING THE ISSUE OF BONDS.

Application No. 5512.

Decided April 15, 1920.

Frank A. Cressey, Jr., for Applicant.

BRUNDIGE, *Commissioner.*

OPINION.

Modesto Gas Company asks the Railroad Commission to make an order authorizing it to issue $15,000 par value of its first mortgage 6 per cent bonds due January 1, 1945.

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Applicant reports that to improve its service, it is necessary for it to install a 2000-foot 8-inch feed line starting at Tenth and "F" streets and running thence along "F" street for a distance of about five blocks. The cost of this line is estimated at $3,000. To take on consumers in the "Capital Heights Addition" of the city of Modesto, applicant intends to install 8900 feet of 4-inch main at an approximate cost of $12,000. It is for the purpose of paying for these improvements that applicant asks permission to sell $15,000 of bonds at not less than 93 per cent of their face value plus accrued interest.

As of December 31, 1919, Modesto Gas Company reports assets and liabilities as follows:

Asset Accounts.

Fixed capital		$238,249.63
Cash		500.00
Deposits		38,189.26
Accounts receivable		16,995.14
Other current assets		266.70
Liberty bonds		6,500.00
Materials and supplies		7,452.98
Unamortized discount on bonds		8,981.07
Other suspense		1,443.96
Total assets		$318,578.74

Liability Accounts.

Capital stock		$100,000.00
Funded debt		115,000.00
Notes payable		7,000.00
Accounts payable:		
Audited vouchers and wages unpaid	$8,762.42	
Consumers deposits	1,677.00	
Miscellaneous accounts payable	8,082.14	
Total accounts payable		18,521.56
Reserve for accrued depreciation		21,161.28
Corporate surplus unappropriated		56,895.90
Total liabilities		$318,578.74

Applicant's reports filed with the Railroad Commission show that during 1919 it had 1671 consumers; during 1918, 1420, and during 1917, 1308. In addition, the company's reports show 106 municipal street lighting fixtures. Its reports further show gross operating revenues for 1919 of $85,535.31, for 1918 $68,224.34 and for 1917 $55,025.17. After paying operating expenses, interest, taxes, and providing for depreciation, applicant reports a net surplus of $5,424.07 for 1919, $14,149.42 for 1918 and $13,085.01 for 1917. The decrease in net surplus in 1919 is due to the increase in operating expenses, which for 1918 are reported at $49,908.06 and for 1919 at $75,355.05.

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I herewith submit the following form of order:

ORDER.

Modesto Gas Company having applied to the Railroad Commission for permission to issue $15,000 of its first mortgage 6 per cent bonds due January 1, 1945, a public hearing having been held, and the Railroad Commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required for the purpose or purposes specified in this order, and that the expenditures for such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income;

It is hereby ordered, that Modesto Gas Company be, and it is hereby, granted authority to issue and sell at not less than 93 per cent of their face value plus accrued interest $15,000 of its first mortgage 6 per cent bonds due January 1, 1945, and use the proceeds obtained from the sale of said bonds to pay for the installation of the 2000-foot 8-inch feed line and the 8900 feet of 4-inch main and other improvements referred to in the application; provided, that—

1. Modesto Gas Company will keep such record of the issue and sale of the bonds herein authorized and of the disposition of the proceeds as will enable it to file, on or before the twenty-fifth day of each month, a verified report as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

2. The authority herein granted will not become effective until applicant has paid the fee prescribed by the Public Utilities Act.

3. The authority herein granted will apply only to such bonds as may be issued and sold on or before October 1, 1920.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this fifteenth day of April, 1920.

DECISION NO. 7434.

IN THE MATTER OF THE APPLICATION OF H. CLAY NEEDHAM TO SELL, AND A. B. PERKINS TO PURCHASE, THE NEWHALL WATER SYSTEM LOCATED AT NEWHALL, LOS ANGELES COUNTY, CALIFORNIA.

Application No. 5392.

Decided April 15, 1920.

BY THE COMMISSION.

ORDER.

H. Clay Needham, having asked permission to sell, and A. B. Perkins to purchase, at a cost of $25,000, the Newhall Water System located at

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Newhall, Los Angeles County, including reservoirs, wells, mains, pipe lines, meters and all other appurtenances belonging thereto, including the following described real estate:

Lots 1, 2 and 3 of tract 3205; lots 35, 36, 37, 38, 39 and 40 in tract 2703; and one square acre in the northeast corner of lot 36 in tract 1437, as shown by maps recorded in Los Angeles County, the seller reserving all oil and gas rights in lots 1, 2 and 3; and A. B. Perkins having agreed to pay $5,000 of the purchase price in cash, and issue his five-year 8 per cent note secured by mortgage for the remaining $20,000; a public hearing having been held before Examiner Satterwhite, and the Commission being of the opinion that this application should be granted; now, therefore

It is hereby ordered, that H. Clay Needham be, and he is hereby, authorized to sell and A. B. Perkins to purchase, at a cost of $25,000, the public utility water properties described in the petition herein;

It is hereby further ordered, that A. B. Perkins be, and he is hereby, authorized to issue a $20,000 five-year 8 per cent note secured by mortgage to pay in part for the properties, provided that said note shall not be issued until the Railroad Commission by a supplemental order has approved the mortgage securing the payment of the note.

The authority herein granted is subject to the following conditions:

1. The price paid for the properties shall never be urged before this Commission or other public body as a measure of the value of the properties for rate fixing or any purpose other than the transfer herein authorized.

2. Within thirty days after the execution of the deed, A. B. Perkins shall file a certified copy of such deed with the Railroad Commission.

3. A. B. Perkins shall advise the Railroad Commission of the exact date upon which he has taken, or will take, possession of the properties.

4. A. B. Perkins, within thirty days after the issue of the note herein authorized, shall file with the Railroad Commission a verified report, as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

5. The authority herein granted will not become effective until A. B. Perkins has paid the fee prescribed in the Public Utilities Act.

6. The authority herein granted will apply only to such note as may be issued on or before August 1, 1920.

Dated at San Francisco, California, this fifteenth day of April, 1920.

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DECISION No. 7437.

IN THE MATTER OF THE APPLICATION OF SOUTHERN CALIFORNIA EDISON COMPANY, A CORPORATION, FOR AUTHORITY TO ISSUE AND SELL BONDS TO THE AMOUNT OF SEVEN MILLION, FIVE HUNDRED THOUSAND DOLLARS.

Application No. 5119.

Decided April 15, 1920.

BY THE COMMISSION.

FIFTH SUPPLEMENTAL ORDER.

Whereas, applicant reports that it obtained from the sale of $7,500,000 of bonds, authorized by Decision No. 6864, dated November 24, 1919, the sum of $6,977,436.33, and expended of the proceeds $6,166,211.31, pursuant to the authority heretofore granted by the Railroad Commission in supplemental orders in this proceeding, and that there now remains a balance of $811,225.02 on deposit in a special trust fund with Harris Trust and Savings Bank of Chicago; and

Whereas, applicant reports that during February, 1920, it has expended for new construction the sum of $1,305,661.53, as set forth in the statement attached to the fifth supplemental petition in the above entitled matter and, therefore, asks permission to withdraw from the special trust fund referred to the sum of $811,225.02, and the Commission being of the opinion that applicant's request should be granted as herein provided; now, therefore,

It is hereby ordered, that Southern California Edison Company be, and it is hereby, granted authority to withdraw $811,225.02 from the special fund created through, and as a result of, the sale of $7,500,000 of bonds, the issue of which was authorized by Decision No. 6864, dated November 24, 1919, to pay for and finance in part the cost of the properties set forth in the statement attached to the fifth supplemental petition in the above entitled matter.

It is hereby further ordered, that Decision No. 6864, dated November 24, 1919, as amended, shall remain in full force and effect, except as modified by this fifth supplemental order.

Dated at San Francisco, California, this fifteenth day of April, 1920.

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DECISION NO. 7438.

IN THE MATTER OF THE APPLICATION OF UNION HOME TELEPHONE AND TELEGRAPH CORPORATION FOR AN INCREASE OF EXCHANGE RATES IN THE CITIES OF LONG BEACH AND SAN BERNARDINO, IN THE STATE OF CALIFORNIA, AND TERRITORY ADJACENT TO SAID CITIES NOW SERVED FROM THE EXCHANGES THEREIN.

Application No. 4817.

Decided April 19, 1920.

BOOK COSTS—DUPLICATE PROPERTY—RATE OF RETURN.—No consideration can be given in a rate fixing inquiry to the value of a telephone utility's property on a book cost basis when it shows a per station cost of $286. Such a condition indicates the existence of considerable duplicate property not used or useful in the service and upon the value of which subscribers can not be expected to provide a return in the form of increased rates.

FUNDED DEBT—EXCESSIVE FIXED CHARGES—REDUCTION OF REQUIRED.—Applicant having a bond and note indebtedness considerably in excess of the undepreciated value of its system on a per station basis, it is directed to take immediate steps toward its reduction either through financial reorganization or stock assessments, as new funds are urgently needed for extensions and new financing under present conditions is not possible.

Readjustment of present schedules of rates made effective within twenty days.

W. W. Butler, for Applicant.

Geo. L. Hoodenpyl, City Attorney, and *Emil Scharff, Jr.*, for the City of Long Beach.

J. L. Adams, for the Chamber of Commerce of Long Beach.

William Guthrie, City Attorney, for the City of San Bernardino.

EDGERTON, *Commissioner*.

OPINION.

The Commission is asked to increase the exchange telephone rates of this company in the territory served by it, and particularly in Long Beach and San Bernardino. For a number of years prior to October 1, 1918, in addition to the property owned and operated in Long Beach and San Bernardino, applicant controlled and operated other telephone properties in Anaheim, Santa Ana, Wilmington, Ventura, Placentia, Garden Grove, San Pedro, Highland, Colton, Fullerton and Rialto. In all or most of these places applicant was at that time operating in competition with the Pacific Telephone and Telegraph Company. On October 1, 1918, it sold to the Pacific Telephone and Telegraph Company its property in all of these points except Long Beach and San Bernardino and acquired that company's property at the two latter points.

It is claimed in the application that for ten years past petitioner has operated at a loss varying from $5,000 to $19,000 per annum, and that as a result of the competition which existed between it and

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The Pacific Telephone and Telegraph Company it has been unable for more than five years to meet in full fixed charges and sinking fund requirements and that it has not set aside a fund for depreciation reserve.

On March 1, 1919, on petition of the company, an increase in the rates formerly in effect in Long Beach and San Bernardino was authorized by the Postmaster General and became effective in these exchanges. Petitioner now claims that notwithstanding the rate increases put into effect by the Postmaster General, the earnings are insufficient to meet operating and other charges and that it is necessary to further increase the rates.

1. Operating Revenues, Expenses, and Rate Base.

It was necessary to analyze and check applicant's statement of actual and estimated revenues and expenses under existing and proposed rates, to consider the matters of valuation and rate base, and to study the operation and service conditions of this property. It is apparent to me that the estimates submitted to the Commission by applicant are not reliable and do not accurately reflect normal operating conditions:

The consolidation of the formerly competing properties in Long Beach and San Bernardino was under way when the application was filed and during the course of this proceeding and is even now not entirely completed in these two cities. Expenditures for maintenance and other operating purposes have been, and now are, abnormal and can not be expected to become normal until the consolidation is fairly well completed. Notwithstanding the abnormal operating conditions during this period of consolidation and notwithstanding the unfavorable effect of the consolidation period on the service, the business of the company is increasing at an unusually rapid rate and promises to continue to increase in the future.

In the estimates of earnings and expenses under the rates proposed in this opinion (as shown hereafter), account is had of the increased in labor and material costs.

Allowance is made in this estimate for an adequate depreciation annuity which should be set aside in cash in a special depreciation fund and amortized and used strictly in accordance with rules approved by the Commission.

There is a futher allowance for special work which the company will have to perform in compliance with the state laws and city ordinances requiring certain standards of construction and maintenance, and the sum of $36,000 estimated for these items is spread over a period of six years.

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Allowance is also made for uncollectible revenue and for the necessary rental payments and taxes. With these considerations it will be noted that there remains to the company, according to the statement of the Commission's engineers in their estimates under the proposed rates, a net revenue of $85,423.

The net earnings of $85,423 are the equivalent of a fair return of 8 per cent on $1,067,800. I wish to call attention to the fact that this estimated net return is practically the same net return (and is, in fact, slightly in excess of it) that the company expects to receive from the rates it proposes in accordance with exhibit "K." This is in spite of the fact that the Commission's engineering department estimates for revenue and expenses differ radically from those of the company.

There is not available an inventory or appraisal of this property. Neither was such an appraisal considered essential in this proceeding for the reason, principally, that a large amount of duplicate property is in existence as a result of the consolidation. This duplicate property should be amortized as rapidly as possible by the company, since otherwise it will be a permanent and increasing handicap to applicant's operating and capital accounts.

The total fixed capital of this company is shown in the annual report for the year ending December 31, 1919, at $3,019,013.39. This figure has no significance as reflecting either the investment or the value of this property. On the basis of the book cost, the cost per station would amount to $286. This is an impossible figure and shows on the face of it the unreliability of the book cost as an index to the value of this property. For a plant of the character of this one, the cost or the value per station should not exceed $100 undepreciated. Since there are 10,476 stations, the valuation of the property on this basis should not exceed $1,047,600. It is apparent, therefore, that the estimated net return amounts to slightly more than an 8 per cent return on the undepreciated cost estimate of this property on a station basis.

2. Capitalization and Fixed Charges.

When a telephone plant of this kind is in reasonably normal operating condition and has a growth as healthy as has this property, we should expect to find it in a sound and prosperous financial condition. The chief difficulty with the Union Home Telephone and Telegraph Corporation, however, is its capitalization and the resulting burden of fixed charges.

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On December 31, 1919, there were outstanding stocks and bonds as follows:

Common stock	$1,800,750.00
Preferred stock	71,800.00
Total stock	$1,872,550.00
First mortgage 5 per cent bonds	$1,382,000.00
Underlying 5 per cent bonds of Long Beach Telephone and Telegraph Company	25,000.00
Underlying 5 per cent bonds of San Bernardino Home Telephone and Telegraph Company	1,400.00
Total bonds	$1,408,400.00

There were also outstanding on December 31, 1919, as shown in the company's annual report, $80,390.20 in 6 per cent and 7 per cent notes. The interest charges on bonds and notes for the year 1919 amounted to $72,915.69. We find, therefore, a condition in this company where the face value of the outstanding bonds and notes amounts to $142 per station—a figure, it will be noted, considerably in excess of the undepreciated valuation figure on the station basis. It is not to be expected that this company can continue to carry this burden and at the same time continue to give such reasonably good service as the subscribers of the company have the right to expect and as the Commission will insist upon when the proposed rates are put into effect. Apparently only two means exist to remedy this situation: either the company should speedily effect a financial reorganization or assessments should be levied against the outstanding stock in sufficient amount to provide the company with the necessary operating capital, including the capital needed for extensions and improvements, and also in order to permit a writing off of duplicate and intangible property which now swells the capital account to a meaningless figure.

The Commission in Decision No. 5314 recognized this situation when the consolidation and the transfer of the properties were authorized. The Commission said:

> While the financial condition of Union Home Telephone and Telegraph Corporation is such that the authorization of the issuance of these securities to go to the public would not be warranted, it is clear that this whole transaction will be of benefit to both of these companies and inasmuch as The Pacific Telephone and Telegraph Company is fully advised of the value of these securities and their purchase can in no wise affect the rates or service to be given the public, and as these securities will be held by The Pacific Telephone and Telegraph Company and not sold to the public, I believe the proposal should be sanctioned.

In any event applicant must make financial arrangements to provide for new capital urgently required for extension. It can not be expected that this capital will come from the rates paid by the

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subscribers. The owners of the property must furnish the plant and the public will maintain it and pay a fair return. New financing with the present showing is impossible, and reorganization or stock assessment, or both, seem the only sound solution.

3. Depreciation Fund.

According to the company's last annual report there has accumulated a depreciation reserve of $63,750. This reserve is not in cash, however, and is included in the total fixed capital. The annual report also shows that no charges were made during the year against the depreciation reserve, and that in consequence all renewals and replacements became part of ordinary maintenance and operating expenses. The company admits that its depreciation reserve is a book transaction merely. Applicant states that it will welcome an order from the Commission requiring the setting aside in cash of a depreciation fund and the establishment by the Commission of proper rules governing that fund. I have already pointed out that in the estimate set up above there is included the sum of $45,000 for this purpose, and applicant should be required to set aside in cash for this purpose monthly the sum of $3,750 and should submit to the Commission its suggestions for rules to govern this fund.

4. Service.

The service given by petitioner, particularly in Long Beach during and immediately following the consolidation, has been inferior and has brought about a justifiable complaint from the public. This has resulted mainly from line and other troubles incident to the cut-over following consolidation and to the difficulty which the company had in clearing up these troubles promptly on account of a strike of its employees occurring at that time. Complaints of faulty operation were also frequent. The Commission's engineering department has already made a general service investigation into the unsatisfactory service conditions, and remedies have been suggested and adopted with the result that these difficulties have been largely overcome and the service greatly improved.

In Long Beach and San Bernardino, as in other communities in the state, it is apparent that telephone users are demanding satisfactory service and that they are more interested in the best possible service than in the lowest possible rates. The rates proposed in this opinion are increased in some instances to bring them into conformity with similar rates for comparable service in other cities of approximately the same size in this state. These rates are ample to permit good service. The Commission will insist upon such service being

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rendered by the company and it is expected that service standards will be developed in the near future that will enable a check on service conditions to be made for this and other telephone properties.

5. Rates.

The rate increases sought by applicant are not justifiable, in my opinion, either from the standpoint of what are fair and equitable rates for the service rendered or from the standpoint of applicant's necessities for additional revenue. The need for additional income will be met by the rates suggested in this opinion in accordance with the estimates shown heretofore. The so-called Burleson rates now in effect on this telephone system are sufficiently high for the needs of this company. The changes I am recommending in the existing rates will do away with certain discrimination in favor of certain classes of subscribers when this service is compared with similar service elsewhere.

I recommend the following rate structure:

	Business		Residence	
	Wall set	Desk set	Wall set	Desk set
Long Beach.				
Individual line	$4 00	$4 25	$2 50	$2 75
Two-party line	3 00	3 25	2 00	2 25
Four-party line			1 75	2 00
Extensions	1 00	1 00	1 00	1 00
San Bernardino.				
Individual line	3 50	3 75	2 25	2 50
Two-party line	2 75	3 00	1 75	2 00
Four-party line			1 50	1 75
Extensions	1 00	1 00	1 00	1 00

NOTE 1.—Rates for private branch exchanges and for miscellaneous equipment not included in the above tables are to be filed with the Commission subject to its approval.

NOTE 2.—All rates are net. The penalty of 25 cents for delinquent payment shall be eliminated. The company is protected in its collections by its rules and regulations filed under Decision No. 2879, Case 683.

NOTE 3.—The company's practice of collecting for installation of desk set $2.00 in addition to the regular rate shall be discontinued.

The present practice of the company of making only one charge for service in cases where subscribers are obliged to retain duplicate service, viz, both Pacific and Home, pending completion of the consolidation, should continue until all duplicate service is discontinued. The remaining work of consolidation should be completed as soon as possible and I recommend that within six months of the date of this order applicant shall present to the Commission complete information on the status of the consolidation. At the same time applicant should submit to the Commission its program for the elimination and amortization of such duplicate property as may exist at that time.

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I recommend the following form of order:

ORDER.

Union Home Telephone and Telegraph Corporation having applied to the Commission for authority to increase its exchange rates in Long Beach and San Bernardino, public hearings having been held, the matter having been submitted, and the Commission basing its conclusions on the foregoing opinion;

It is hereby ordered, that Union Home Telephone and Telegraph Corporation establish and file with the Commission within thirty (30) days of the date of this order a schedule of rates and services as outlined in the foregoing opinion. On approval by the Commission of the schedules so filed, applicant is authorized to put these rates into effect subject to the following conditions:

(1) Adequate and efficient telephone service shall be rendered at all times for all classes of service.

(2) Applicant shall set aside into a depreciation fund the sum of $45,000 per annum in monthly installments of $3,750 for the purpose of taking care of such renewals and replacements as shall be covered by the fund. Applicant shall file with the Commission within thirty (30) days of the date of this order its suggestions for rules governing the functions and use of the depreciation fund and these rules thereafter shall go into effect as approved or modified by the Commission.

(3) Applicant shall complete as speedily as possible the consolidation of all of its property and within six (6) months of the date of this order shall file with the Commission a statement showing the status of the consolidation.

(4) Applicant shall arrange for the amortization and elimination of such duplicate property as is in existence at this time and as should be dispensed with to the benefit of the service and shall within six (6) months of the date of this order submit to the Commission its suggestions for a plan of bringing about such amortization and such elimination within a specified time.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this nineteenth day of April, 1920.

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DECISION NO. 7439.

IN THE MATTER OF THE JOINT APPLICATION OF THE SOUTHERN SIERRAS POWER COMPANY AND THE HOLTON POWER COMPANY FOR A REVISION OF RATES.

Application No. 5334.

Decided April 19, 1920.

BY THE COMMISSION.

OPINION.

Southern Sierras Power Company asks that, pending the final determination of its rates and charges for electricity, it be permitted to place in effect in the city of San Bernardino such rates as the Commission shall authorize Southern California Edison Company to charge for similar service in said city of San Bernardino.

The lighting rates of both companies which are in competition in the city of San Bernardino have been identical and other rates charged by these two competing companies have been on a parity.

The Commission under date of April 15, 1920, by Decision No. 7424 in Application No. 5394, has authorized Southern California Edison Company to add a temporary surcharge of 27 per cent to all its rates and charges for electricity.

For very substantial reasons the rates of these two companies where they are in competition should remain the same. A marked difference in rates, such as would result if this application be not granted, would cause a transfer of business from the high to the low rate company, thus imposing a burden resulting in a denial or breakdown of service. From every standpoint it is better that the rates of these two companies be kept on a parity in competitive territory, at least until final rate schedules are established.

ORDER.

Based upon the foregoing;

It is hereby ordered, that Southern Sierras Power Company be and it is hereby authorized to charge and collect for electric energy sold in the city of San Bernardino the same rates and charges as authorized to Southern California Edison Company by this Commission in Decision No. 7424, which rates shall be effective for all regular meter readings taken on and after April 25, 1920, to and including all regular meter readings taken on or before January 25, 1921, unless otherwise ordered by the Commission.

Provided, Southern Sierras Power Company shall, on or before April 25, 1920, file with the Railroad Commission such changes in its

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existing schedules of electric rates as shall be necessary to comply with the provisions hereof.

Dated at San Francisco, California, this nineteenth day of April, 1920.

DECISION NO. 7441.

IN THE MATTER OF THE APPLICATION OF LAKE HEMET WATER COMPANY, A CORPORATION, FOR AN ORDER INCREASING RATES TO BE CHARGED AND COLLECTED BY IT, AND FOR SERVICE RENDERED AND TO BE RENDERED BY IT IN FURNISHING WATER, IN THE COUNTY OF RIVERSIDE, STATE OF CALIFORNIA.

Application No. 4306.

Decided April 19, 1920.

JURISDICTION—WATER RATES—CERTIFICATE HOLDERS.—When the Supreme Court has decided that the Railroad Commission has no jurisdiction to alter a rate specified in certificates held by certain consumers of a water company, the Commission has no jurisdiction to proceed to establish a higher rate to certificate holders which did not join in the appeal to the court on the ground that they accepted the jurisdiction of the Commission in the matter.

WATER RATES—CONTRACT USERS.—Rates established for public utility consumers of a water company will provide only their proportion of a just and reasonable return on the value of the system and will not care for a deficiency in revenue caused by the necessity of the company fulfilling contractual obligations to deliver water, over which the Commission has no jurisdiction.

Revised schedule of rates established to become effective within twenty days.

John M. Clayton and *J. J. Lermen*, for Applicant.

Henry Goodcell and *W. G. Irving*, for Protestants.

Oliver P. Ensley, for City of Hemet.

BY THE COMMISSION.

OPINION.

This application alleges in effect that Lake Hemet Water Company serves water for domestic and irrigation purposes to an area of about 7000 acres in the vicinity of Hemet, Riverside County, and that the present rates charged by applicant are inadequate and fail to return sufficient revenue to provide for operating expense and depreciation. Applicant, therefore, asks the Commission to increase the rates at which water is to be delivered to certain of its consumers.

In addition to the exhibits and briefs filed by the parties hereto, there was placed in evidence this Commission's Decisions Nos. 3804, 3806 and 3842, annual reports to the Commission of Lake Hemet Water Company and Fairview Land and Water Company for the years 1915, 1916, 1917 and 1918, and the testimony presented at hearings before this Commission in Applications Nos. 1842 and 1843.

The city of Hemet appeared at the hearing protesting against the fire hydrant rates fixed by this Commission, and asked for a reduction therein.

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Public hearings were held in Hemet and San Francisco, briefs have been filed, and the matter is now ready for decision.

In Applications Nos. 1842 and 1843, the Commission, on October 21, 1916, made an order fixing rates to be charged by applicant for water supplied to its consumers. Subsequently, a number of the consumers, being owners of some 300 tracts, joined in a petition for a writ of review to the Supreme Court of the State of California, wherein they asked for an annulment of the Commission's order on the ground that the service of water to them by the applicant herein was pursuant to certain private contract rights held under so-called water certificates which petitioners had purchased from the applicant. The writ issued, and in its decision thereunder the Supreme Court, after holding that petitioners were, as they contended, entitled to the use of the water in question as a matter of private right and not by reason of the fact that they were beneficiaries under a system devoted to public use, concluded as follows:

> Third, for the reason that the character of the business conducted by the water company and water users authorized the state to declare the same a public utility, and to provide for the fixing of rates by the Railroad Commission, whose duty it was to fix rates in due recognition of the private rights of water certificate holders in such property, and that the intervention of this court is only proper where a clear violation of such rights appears.
>
> *Allen* vs. *Railroad Commission*, 179 Cal. 68, 98.

The water certificates above referred to provide for an irrigation supply of $2 per acre per year, except for certain certificates covering 110.36 acres, which provide a rate of $5 per acre per year. Both forms of certificates were similar in other respects and entitled the consumer to one-eighth of a miner's inch of water per acre accumulated over a period of 214 days, from April 15 to November 15, each year, and to a domestic supply at the rate of $5 per family per year for an amount of water fixed at 500 cubic feet per month.

The primary question before the Commission in this application is the fixing of rates for water served by the applicant which is not, under the decision in the *Allen* case above referred to, furnished by the applicant to its consumers as a matter of private right, but, on the other hand, is a public utility service by the applicant, and, therefore, subject to regulation by this Commission.

It was admitted that water furnished by the applicant to its consumers from November 15 to the following April 15, each year, and that all water furnished in excess of the amounts fixed by the provisions of the so-called water certificates, was in the nature of a public service of water dedicated to public use, and that the rates to be charged therefor are subject to the Commission's jurisdiction. Applicant, however, contends further that the certificate holders who did

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not join in the petition for writ of review by the Supreme Court have, by their failure in this regard, acquiesced in the fixing of rates by the Commission, and therefore, under the rule announced by the Supreme Court in the case of *Franscioni* vs. *Soledad Water Company*, 170 Cal. 221, they have impliedly consented that their use of the water as a matter of private right under the terms of the water certificates, be converted into a public use, the rates to be charged thereon thus becoming subject to the jurisdiction of the Commission.

We do not agree that the principle of law laid down in the *Franscioni* case is applicable to the present instance. There, it was unquestioned that not only the company, but all of the consumers, had consented that the rates to be charged for water served by the company be regulated by public authority. Granting, for the sake of argument, that a part of such a body of water users under private contracts could, by agreement with the company supplying them, convert that portion of the service from a private to a public use, the evidence in this case does not show such consent on the part of the consumers. The mere fact that a number of consumers did not join with others in the petition for writ of review to the Supreme Court, does not justify the conclusion that they thereby acquiesced and consented to such exercise of jurisdiction by the Commission. The fact remains that vigorous opposition was made to the regulation of rates by the Commission of water served pursuant to the rights held under the water certificates. Some, though not all, of the protestants before the Commission herein joined in the petition for writ of review to the Supreme Court. This proceeding was in reality viewed as a test case by all concerned.

As above indicated, the applicant herein does furnish water otherwise than under the water certificates, and in so doing is rendering a public utility service.

The Commission, therefore, has jurisdiction to fix rates for this portion of the service.

In arriving at a proper basis for a decision in this application, the Commission has considered the plant in its entirety and has computed the reasonable maintenance and operating expenses thereon, together with depreciation on the whole. Inasmuch as the state Supreme Court has annulled, or partially annulled, the rates previously established by this Commission, and has decided that the rates set out in the certificates shall remain in effect, it is apparent that this Commission must fix rates which shall apply only to applicant's public utility service. Obviously, the most reasonable and simple method of achieving this result will be to establish what would be a fair rate if every consumer were a public user. In so doing, it leaves out of consideration all question of actual charges or payments made

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under so-called water certificates, and assesses to public consumers rates in a proper proportion to fixed charges.

In the Commission's decisions on Applications Nos. 1842 and 1843, in arriving at the amount of property used and useful in the public utility functions of applicant, allowance was made for certain sums paid by the certificate holders for their certificates. No such allowance can be made in the present application for the reason above suggested, that those consumers who have certificates are now paying a rate in accordance with the terms of their contracts, and consumers of water dedicated to public use can, in no wise, be concerned with or expect to receive any beneficial allowance on account of such sums as may have been received by this utility from third parties.

Railroad Commission's Exhibit No. 1 shows that the net additions to capital from December 31, 1915, to December 31, 1918, were $58,927; that reasonable maintenance and operating expense is $33,690 per year, and that a reasonable annuity for depreciation to cover the net additions to capital is $910.

The estimated cost new of the water system supplying applicant's consumers as determined by the Commission's engineers in former proceedings was $657,385. From this amount there was deducted $164,470 on account of overbuilding of the system, leaving a net estimated cost new of $492,915 on December 31, 1915. Net additions to capital, amounting to $58,927, bring the estimated cost new of the used and useful property of applicant up to $551,842.

Depreciation annuity as determined by the Commission's engineers in former proceedings was $4,665, and, with the addition of $910 mentioned above, gives a total of $5,575 as a reasonable annuity for this proceeding.

Necessary annual charges are computed as follows:

Interest on $551,842	$33,111 00
Depreciation annuity	5,575 00
Maintenance and operating expense	33,690 00
Total	$72,376 00

Revenues for 1917 were $41,800 and in 1918 were $43,178.

Based upon 1918 water use, it is estimated that the rates set out in the order will yield the necessary revenues.

ORDER.

Lake Hemet Water Company having made application for permission to increase rates, public hearings having been held thereon, briefs having been filed, and the Commission being fully informed in the matter:

It is hereby found as a fact that the rates now charged by Lake Hemet Water Company for water delivered to its public service consumers are unjust and unreasonable in so far as they differ from the

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rates set out in the following order, and that the rates so set out are just and reasonable rates to be charged for such service, and basing the order upon the foregoing finding of fact and upon the statements of fact contained in the preceding opinion:

It is hereby ordered, that Lake Hemet Water Company be, and it is hereby, authorized and directed to file with this Commission within twenty (20) days from the date of this order, and thereafter charge, the following rates for water delivered to its public service consumers in Hemet and vicinity, and effective for all meter readings subsequent to January 1, 1920:

Monthly minimum charges.

¾ inch meters	$1 00
1 inch meters	1 50
1½ inch meters	2 00
2 inch meters	2 50
3 inch meters and larger	3 00

Domestic rates.

From 0 to 500 cubic feet, per 100 cubic feet	$0 20
From 500 to 1000 cubic feet, per 100 cubic feet	0 18
From 1000 to 5000 cubic feet, per 100 cubic feet	0 15
Over 5000 cubic feet, per 100 cubic feet	0 10

Irrigation rates.

Minimum annually for 1/50 second foot (miner's inch) or part thereof in the same proportion	$48 00
For each 1/50 second foot (miner's inch day) or 1728 cubic feet	0 40

Public use.

For water furnished for fire fighting purposes through fire hydrants, per month	$25 00
Other public use at metered rates.	

Dated at San Francisco, California, this nineteenth day of April, 1920.

DECISION NO. 7444.

IN THE MATTER OF THE APPLICATION OF THE ONTARIO POWER COMPANY FOR AN ORDER AUTHORIZING AN INCREASE IN RATES.

Application No. 5506.

Decided April 19, 1920.

BY THE COMMISSION.

OPINION.

Ontario Power Company asks it be authorized to increase the charges of its Schedule O, optional irrigation pumping, in the event that the Commission increases the rate for power charged to it by Southern California Edison Company. It is evident from the form of applicant's Schedule O that any substantial increase in the cost of power to it will result in the sale thereof to its irrigation consumers at a rate less than the wholesale cost.

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In Decision No. 7424, in Application No. 5394, dated April 15, 1920, the Commission has authorized Edison Company to increase all of its rates by the addition of a temporary surcharge of 27 per cent, and such increase, effective April 20, 1920, and continuing until January 20, 1921, increases the cost of power sold to the irrigation consumers of Ontario Power Company sufficient to warrant an adjustment of its schedule for this service.

The rates set out in the following order are designed to produce sufficient additional revenue from consumers of applicant to offset the increased cost paid by applicant to Southern California Edison Company by reason of the aforesaid increase of its rates.

Ontario Power Company having applied for authority to increase the rates and charges set forth in its Schelude O, and in view of the increase in the cost of power to Ontario Power Company from Southern California Edison Company;

It is hereby ordered, that Ontario Power Company be and it is hereby authorized to modify its schedule of rates for irrigation pumping, known as Schedule O, and charge for service, for all regular meter readings taken on and after April 25, 1920, the following schedule of rates:

Optional Irrigation Pumping, Yearly Block—Service and Energy Charge.

Available for all use of current at irrigation pumping plants having a connected load of 20 or more horsepower.

RATES.

Service charge.

For less than 30 horsepower of connected load	$35 00 per year
For 30 to 34 horsepower of connected load	40 00 per year
For 35 to 39 horsepower of connected load	45 00 per year
For 40 to 49 horsepower of connected load	50 00 per year
For 50 to 54 horsepower of connected load	55 00 per year
For 55 and over horsepower of connected load, per horsepower	1 00 per year

The service charge to be paid at the beginning of each season.

Energy charge.

First 2500 kilowatt hours per year	2.50 cents per kilowatt hour
Next 2500 kilowatt hours per year	2.25 cents per kilowatt hour
Next 5000 kilowatt hours per year	2.00 cents per kilowatt hour
Next 10000 kilowatt hours per year	1.95 cents per kilowatt hour
Next 10000 kilowatt hours per year	1.85 cents per kilowatt hour
Next 15000 kilowatt hours per year	1.75 cents per kilowatt hour
Next 55000 kilowatt hours per year	1.60 cents per kilowatt hour
Over 100000 kilowatt hours per year	1.50 cents per kilowatt hour

Provided, Ontario Power Company shall on or before April 25, 1920, file with the Railroad Commission the schedule of rates herein authorized.

Dated at San Francisco, California, this nineteenth day of April, 1920.

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DECISION NO. 7445.

IN THE MATTER OF THE APPLICATION OF PITTSBURG WATER COMPANY, A CORPORATION, FOR AUTHORITY TO SELL TO THE CITY OF PITTSBURG A PORTION OF ITS PLANT OR SYSTEM.

Application No. 5577.

Decided April 19, 1920.

BY THE COMMISSION.

ORDER.

Pittsburg Water Company having applied to the Railroad Commission for authority to sell its water system to the city of Pittsburg in accordance with the terms of a proposed agreement of sale entered into by and between the Pittsburg Water Company and the city of Pittsburg, copy of which agreement is attached to the application herein and marked "Exhibit A" and hereby referred to and made a part hereof; and it appearing that public interest will be served by this transfer and that this is not a matter in which a public hearing is necessary;

It is hereby ordered, that the above entitled application be and it is hereby granted, on the following conditions:

1. The consideration given for the transfer of said public utility water system shall not be urged before this Commission or any other public body as a finding of value of said properties for rate fixing or any purpose other than the transfer herein authorized.

2. The authority herein granted to transfer said water system shall apply only to such transfer as may have been made on or before September 1, 1920, and a certified copy of the instrument of conveyance transferring the property herein authorized to be transferred shall be filed with the Commission within thirty (30) days of the date on which it is executed.

3. Within ten (10) days of the time when Pittsburg Water Company actually relinquishes possession and control of the properties herein authorized to be transferred, said company shall file a statement in writing with the Commission indicating the date of such transfer.

Dated at San Francisco, California, this nineteenth day of April, 1920.

DECISION NO. 7446.

IN THE MATTER OF THE SUPPLEMENTAL APPLICATION OF SAN JOAQUIN LIGHT AND POWER CORPORATION FOR AUTHORITY TO INCREASE RATES.

Supplemental Application No. 4064.

Decided April 19, 1920.

BY THE COMMISSION.

OPINION ON PETITION FOR REHEARING.

Kern County Farm Bureau and board of supervisors of Kern County have filed a petition for rehearing herein. We will consider such of the allegations of said petition as seem to require mention.

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Petitioners urge that no shortage of power exists at the present time due to precipitation occurring since the submission of the proceeding. The latter rains it appears have practically eliminated the necessity of serious curtailment of power in the San Joaquin Valley. However, the determination of reasonable rates by the Commission did not contemplate curtailment of use but was based upon as full a water supply as was had in 1919.

Petitioners allege that the Commission erred in including under the item of "operative capital," on which a return was based, certain sums of money for the Kerckhoff hydroelectric plant and Bakersfield steam plant. It appears that the steam plant will be in operation on June 1 and that the Kerckhoff development will be in operation on October 1, 1920. The Commission included a portion of the capital, based upon the part of the year in which the plants would be in operation and from which benefit of use would be obtained. Normally interest during construction is capitalized on new developments until they are put in operation and not afterward, and a utility is entitled to earn upon its property upon it becoming operative. Contentions of petitioners in this connection are unwarranted.

Petitioners also urge that the Kerckhoff development has cost more than it reasonably should, due to rushed construction and that this additional charge should not be included, especially as the plant will not be in operation during the period of peak load of the year. The operation of this plant from October 1 on will be of benefit, however, due to use of storage water by this company and by Southern California Edison Company. We do not conclude that the company should be penalized for attempting to meet the demands for service of its consumers.

Petitioners allege that the Commission erred in finding that there was not a surplus of natural gas available for the development of power. The Commission has reinvestigated the record in this matter and confirms its conclusion that the evidence does not show an adequate supply of natural gas to meet the requirements of steam plants prior to the fall of 1919 and since the time that the price of oil commenced to increase. It finds as a fact that there was an actual lack of sufficient gas to meet the demands for gas in the fields and for delivery to Los Angeles through existing lines during the period just prior to June, 1919.

Petitioners urge that the Commission should not allow taxes as an operating expense. Gross revenue taxes of all utilities have consistently been considered as an operating expense not only by the Commission but by federal authorities in determining net returns upon which income tax should be paid.

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Petitioners allege that the Commission erred in finding that the rate of approximately 5.97 per cent, which it was estimated would be earned during 1920, was not a fair return under the conditions actually existing, and that in increasing the rate to 8 per cent its action was discriminatory and unconstitutional. It is essential that this utility borrow large sums of money in order to meet the demands for power made upon it, and to borrow that money it is necessary that the company receive sufficient return to make possible its financing even during this period of stress, and it is apparent that if applicant is required to pay a higher rate of interest than that which it would earn it will not be able to borrow the moneys necessary to meet the demands and render adequate service.

Petitioners allege that the rates fixed by the Commission will increase the cost of service to agricultural consumers using service from eight to twelve months from $4.05 per horsepower per month to $9.15 and $9.65 per horsepower per month, depending upon the size. The evidence shows that the average increase in rates for the remainder of the year for agricultural service will be slightly in excess of 15 per cent; that the increased cost of service has been in the form of increased operating expense, depending upon the use of energy rather than upon the size of the installation; that the flat rates formerly in effect were unfair to the consumer using power less than the average and that consumers using motors continuously were not paying their just proportion of the cost. In a few instances consumers using service for eight months may be increased from $4.65 per horsepower per month to a maximum of approximately $8.30 and $8.80 per horsepower per month; that on the average the increase in rates to that class of consumers will be to approximately $6.20 per horsepower per month.

Petitioners have computed the increased cost on the maximum conditions which may exist and under the assumption that the motors will run continuously for eight to twelve months without interruption, which appears from the record is not likely to happen except in a few instances. Consumers who have been operating on this basis in the past have been receiving service considerably below cost and with the result that the service has been operated at a loss or other consumers have made up the difference.

The rates heretofore set forth in Decision No. 7305 have been fixed for the conditions which will probably exist during the year 1920, a period of reduced hydroelectric power supply and increased price of fuel and labor. Under the proposed rates consumers who can conserve in the use of water will receive the benefit of the reduced cost of service, a condition not possible under the former flat rates.

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We conclude, from consideration of the petition for rehearing and reconsideration of the evidence, that the petition should not be granted.

ORDER ON PETITION FOR REHEARING.

Kern County Farm Bureau and board of supervisors of Kern County having filed a petition for rehearing in the above entitled proceeding, and careful consideration having been given to said petition, the Railroad Commission finds that the former Decision No. 7305 should not be modified.

Basing its order on the foregoing finding of fact and each statement of fact contained in the opinion of March 23, 1920, and in the opinion which precedes this order;

It is hereby ordered, that the petition for rehearing be and the same is hereby denied.

Dated at San Francisco, California, this nineteenth day of April, 1920.

DECISION NO. 7447.

IN THE MATTER OF THE APPLICATION OF LINDSAY HOME TELEPHONE AND TELEGRAPH COMPANY, A CORPORATION, FOR AN ORDER AUTHORIZING THE INCREASE OF PRESENT TELEPHONE RATES.

Application No. 4925.

Decided April 19, 1920.

Sanborn and Rochl, by *A. B. Rochl,* for Applicant.

BRUNDIGE, *Commissioner.*

OPINION.

Lindsay Home Telephone and Telegraph Company, a California corporation, petitioner in this proceeding, owns and operates a telephone system serving the city of Lindsay and adjacent territory in Tulare County, California. In its application, petitioner states that the present rates are not sufficient to pay running expenses, to pay labor and to pay an adequate return on the money invested. It is also stated that the increased rates for which Commission authorization is asked will not be sufficient to meet increased labor costs, but that it relies on an increase in its business to meet the difference between the income from the proposed rates and its actual running expenses.

A hearing was held in Lindsay on December 12, 1919.

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The rates at present being charged and those which petitioner proposes to charge are as follows:

	Present Rates	Proposed Rates
Business service.		
One-party, desk or wall set	$2 75	$3 50
Two-party, desk or wall set	2 25	2 75
Extension, desk or wall set	1 00	1 00
Residence service.		
One-party, desk or wall set	$2 50	$3 00
Two-party, desk or wall set	2 00	2 50
Four-party, desk or wall set	1 75	1 75
Suburban, wall set	1 50	2 00
Extension, desk or wall set	50	50
One-party, farmer line, yearly	30 00	36 00
Two-party, farmer line, yearly	15 00	18 00
Three-party, farmer line, yearly	10 00	12 00
Four-party, farmer line, yearly	7 50	9 00
Five-party, farmer line, yearly	6 00	7 20

Attached to this application are various exhibits, including petitioner's income statement for the first seven months of the year 1919, a statement showing estimated revenue increase based on the proposed rates, increases in salary and wage expense, and plant investment figures. Petitioner has also presented, since the hearing, an itemized inventory and appraisal of the company's property, compiled as of January 3, 1920. In the income statement here referred to, a net income of $1,030.65 is shown for this seven-month period after payment of operating expenses, depreciation, taxes, insurance and interest charges. The estimated increase in revenue from the proposed rates is shown to be $1,541.40 per year, and the increase in salaries and wages to be $1,892.40 per year. On the basis of these exhibits, applicant's net annual income, after deducting the increased operating costs due to increased salaries and wages, would amount to approximately $1,400. Since this hearing was held, petitioner's annual report for the year ending December 31, 1919, has been filed with the Railroad Commission. The annual report shows an income of $3,057.31, exclusive of funded debt and other interest charges and amortization of debt discount and expense, and a net income of $2,033.32 after deducting these items. This income is under present rates and, for a portion of the year, at the increased salaries and wages referred to above.

Estimating subscribers' station revenues upon the stations actually in service on December 31, 1919, at present rates, and basing toll, miscellaneous (exclusive of service connection charges) and nonoperating revenues upon actual receipts for the year 1919, it appears from estimates compiled by the Commission's engineers that petitioner's present gross annual receipts amount to $14,566.60. The estimated

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annual expenses, including depreciation, taxes and insurance, will amount to $10,852.68. This will leave an estimated income, exclusive of fixed charges for bond interest and amortization, of $3,713.92. The operating expenses estimated herein are based upon actual present expenses, inclusive of the salary and wage increases above referred to which are now in effect. It includes also depreciation amounting to 4.39 per cent of the reproduction value of the depreciable property.

In the appraisal submitted by petitioner subsequent to the hearing, the reproduction cost of the property is shown to be $49,620.86. A separate appraisal on an historical basis has been made by the Commission's engineers, showing the reproduction cost to be $36,127 and the depreciated reproduction cost to be $28,994. A copy of the Commission's appraisal has been furnished petitioner.

It will be noted that the present income under present rates will yield a return of 7.48 per cent on petitioner's valuation as shown in its appraisal, or a return of 10.28 per cent on the Commission's valuation, undepreciated. From this it appears that petitioner is not entitled to an increase in the present rates and that the application should be denied.

The following order is recommended:

ORDER.

Application having been filed with the Railroad Commission by Lindsay Home Telephone and Telegraph Company for authority to increase its present rates, a hearing having been held, the matter having been submitted and the Commission being fully advised, and it appearing to the Commission, as set forth in the preceding opinion, that an increase in petitioner's present rates is not justified:

It is hereby ordered, that the application herein be and it is hereby denied.

This opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this nineteenth day of April, 1920.

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DECISION NO. 7452.

IN THE MATTER OF THE APPLICATION OF PACIFIC GAS AND ELECTRIC COMPANY, A CORPORATION, FOR AN ORDER OF THE RAILROAD COMMISSION APPROVING A CERTAIN AGREEMENT DATED APRIL 15, 1920, BY AND BETWEEN PACIFIC GAS AND ELECTRIC COMPANY, THE BANK OF CALIFORNIA, NATIONAL ASSOCIATION, AND BLYTH, WITTER AND COMPANY, AND AUTHORIZING THE ISSUANCE OF TEMPORARY CERTIFICATES AND THE HYPOTHECATION AND PLEDGING OF ITS REGISTERED GENERAL AND REFUNDING MORTGAGE GOLD BONDS OR BONDS OF THE FACE OR PAR VALUE OF FIFTEEN MILLION DOLLARS PURSUANT TO SAID AGREEMENT.

Application No. 5598.

Decided April 21, 1920.

Applicant authorized to issue and sell, at not less than 92½, $10,000,000 face value of temporary certificates under the terms of an agreement whereby they will be exchanged for an equal face value of five-year 7 per cent collateral trust notes, and to issue and pledge as security therefor, $15,000,000 face value of general and refunding bonds, provided that at no time shall bonds pledged be in excess of $1,500 to each $1,000 of notes outstanding.

William B. Bosley, for Applicant.

EDGERTON, *Commissioner*.

OPINION.

Pacific Gas and Electric Company asks the Railroad Commission to make an order:

1. Approving the agreement dated April 15, 1920, between it, the Bank of California, National Association, and Blyth, Witter and Company.

2. Authorizing it to issue $10,000,000 of temporary certificates under and pursuant to the provisions of said agreement obligating applicant to exchange such temporary certificates for $10,000,000 of five-year 7 per cent collateral trust convertible gold notes, when, if and as such notes shall be duly authorized, or to refund the amounts paid by the purchasers of the certificates as provided in the agreement.

3. Authorizing applicant to deposit $15,000,000 of its general and refunding mortgage gold bonds to secure the payment of the temporary certificates or the five-year 7 per cent convertible gold notes.

4. Permitting applicant to reimburse its treasury in the sum of $5,200,959.59.

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As of December 31, 1919, applicant reports assets and liabilities as follows:

Asset Accounts.

Fixed capital		$151,030,720 87
(a) Installed prior to January 1, 1913	$109,176,049 67	
(b) Installed since December 31, 1912	41,854,671 20	
Cash		2,027,709 08
Special deposits		174,051 18
Notes receivable		54,100 37
Accounts receivable		3,844,026 54
Interest and dividends receivable		14,342 77
Other current assets		42,858 47
Investments		1,032,813 80
Materials and supplies		2,708,677 01
Sinking funds		6,118,213 82
Treasury securities ($875,000—hypothecated)		1,358,952 35
Prepaid taxes		29,185 66
Unamortized discount on securities and expense		9,337,224 68
(a) Stock	$4,762,281 22	
(b) Bonds	4,574,943 46	
Other suspense		168,292 51
Construction work in progress		2,417,764 65
Total asset accounts		$180,358,924 76

Liability Accounts.

Capital stock		$ 64,053,638 00
(a) Total issued and subscribed for	$95,750,504 66	
(b) Less owned by system corporations	31,696,866 66	
Funded debt		94,140,558 15
Bonds called but not redeemed		1,410 00
Notes payable		240,283 31
Accounts payable		2,549,074 29
Interest accrued		1,474,969 78
Taxes accrued		912,420 53
Dividends declared		427,028 65
Reserve for accrued depreciation		2,834,717 39
Casualty and insurance reserves		155,591 30
Coupons due and unpaid		121,065 00
Reserves invested in sinking funds		1,077,914 26
Reserve for Northern California Power Company, plant adjustments and accrued depreciation		1,799,576 92
Other reserves		5,780,260 45
Earnings in suspense account rate case	$1,849,321 50	
Bad debt reserve	130,938 95	
Reserve for Railroad Commission Order No. 3484	3,800,000 00	
Corporate surplus unappropriated		4,790,416 73
Total liability accounts		$180,358,924 76

As of December 31, 1919, applicant reports $34,004,058 of common and $72,800 of original 6 per cent preferred and $28,724,280 of first preferred stock, and $87,002,405.80 of bonds outstanding and in the hands of the public.

John A. Britton, vice president and general manager of Pacific Gas and Electric Company, testified that in his opinion the company during 1920 should expend at least $10,685,746 for necessary additions and betterments, and that if funds are available, it should expend an

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additional $4,576,650, making a total of $13,062,426. This expenditure includes an allowance of $3,180,000 for the purpose of constructing hydroelectric generating plants on the Pit River or its tributaries and necessary transmission lines, and also an expenditure of at least $540,000 on the properties of the Sierra and San Francisco Power Company. The engineers of the company estimate that it can have in operation prior to January 1, 1921 a 20,000 horsepower hydroelectric generating plant located on the Pit River or its tributaries, and an additional 50,000 horsepower plant prior to January 1, 1922. These plants will be built by Mount Shasta Power Corporation through funds advanced by Pacific Gas and Electric Company, such advances to be repaid when Mount Shasta Power Corporation is in a position to sell securities. It might be said in this connection that Pacific Gas and Electric Company owns all of the outstanding stock of Mount Shasta Power Corporation, except shares necessary to qualify directors. It was agreed at the hearing that as soon as detailed estimates of cost are prepared, copies of such estimates will be filed with the Commission.

The record shows that it is for the purpose of paying in part for the construction of extensions, additions and betterments referred to by John A. Britton that applicant has arranged for the sale of the $10,000,000 of five-year 7 per cent collateral trust convertible gold notes. A special meeting of applicant's stockholders to authorize an increase in its bonded debt has been called for June 21, 1920. On account of market conditions, applicant believes that it is to its interest to immediately effect the sale of the notes, subject, of course, to the authorization of their issuance by its stockholders. Applicant has entered into an agreement with Blyth, Witter and Company, purchaser, and Bank of California, National Association, trustee, under the terms of which it will issue not exceeding $10,000,000 of temporary certificates to be exchanged on or before September 1, 1920, for 7 per cent promissory notes to be dated May 1, 1920 and mature May 1, 1925. The agreement, among other things, further provides that there shall be deposited with the trustee and held as security for the payment of the notes $15,000,000 of applicant's general and refunding 5 per cent mortgage bonds due January 1, 1942; that all of the proceeds obtained from the sale of the temporary certificates shall be delivered to the trustee and held by it until the notes are issued; that in the event applicant's stockholders should not authorize the issue of the notes the trustee shall redeem the temporary certificates at 98; that the notes shall be convertible, at the option of the holder or the owner thereof, at par and accrued interest into shares of applicant's first preferred 6 per cent stock at 95 or into applicant's common

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stock on or before May 1, 1922, at 80 and thereafter at 85; that the notes may be redeemed at the option of the company in lots of not less than $500,000 on November first or May first of each year at par and accrued interest plus a premium of 1 per cent upon the principal, and that upon the payment of each note or notes of the face value of $1,000, bonds in the amount of $1,500 shall be released from the lien of the collateral trust agreement and redelivered by the trustee to the company. Applicant intends to hereafter file a supplemental petition in this proceeding for authority to issue the notes and to execute a collateral trust agreement defining the terms and conditions under which the notes will be issued.

Applicant reports that to January 31, 1920, it expended for construction purposes and the acquisition of properties or stock of Northern California Power Company, Consolidated, the sum of $5,200,959.59, against which it has issued no stock, bonds or other evidences of indebtedness. The $5,200,959.59 includes $3,172,074.86 paid for Northern California Power Company, Consolidated, stock which applicant was authorized to purchase by Decision No. 6681, dated September 23, 1919. The order in that decision contains the following condition:

> The consideration at which the public utility stock or properties are herein authorized to be transferred shall not be considered as a measure of value of said stock or properties for rate-making or any purpose other than the sale of the stock and the transfer of the properties herein authorized.

While I am willing to recommend that applicant be permitted to use $5,200,959.59 of the proceeds from the sale of notes to reimburse its treasury, it is with the understanding that the authority herein granted shall not be interpreted as modifying the Commission's order in Decision No. 6681, dated September 23, 1919, except as such order may be in conflict with the authority herein granted, and with the further understanding that the entire $5,200,959.59 be expended by applicant or Mount Shasta Power Corporation for the construction of hydroelectric generating plants, extensions, additions and betterments.

I herewith submit the following form of order:

ORDER.

Pacific Gas and Electric Company having applied to the Railroad Commission for permission to issue $10,000,000 of temporary certificates and pledge $15,000,000 of its general and refunding mortgage gold bonds, a public hearing having been held, and the Railroad Commission being of the opinion that the money, property or labor to be procured or paid for through such issue is reasonably required for the purpose or purposes set forth in this order, and that the

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expenditures for such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income;

It is hereby ordered, that Pacific Gas and Electric Company be, and it is hereby, authorized to issue and sell, for cash, at not less than 92¾ per cent of their face value plus accrued interest, $10,000,000 of temporary certificates pursuant to the terms of the agreement filed in this proceeding and marked Exhibit "D," which agreement is hereby approved.

It is hereby further ordered, that Pacific Gas and Electric Company be, and it is hereby, authorized to issue and deposit as collateral security $15,000,000 of its 5 per cent general and refunding mortgage gold bonds due January 1, 1942, to secure the payment of the $10,000,000 of temporary certificates or the $10,000,000 of five-year 7 per cent collateral trust convertible gold notes referred to in this application, provided that upon the payment of each note or notes aggregating the face value of $1,000, bonds in the amount of $1,500 face value be released from the lien of the collateral trust agreement and returned to applicant's treasury and not thereafter issued without a further order from the Railroad Commission.

The authority herein granted is subject to further conditions, as follows:

1. Of the proceeds realized from the sale of temporary certificates herein authorized to be issued, Pacific Gas and Electric Company may use $5,200,959.59 to reimburse its treasury because of moneys expended for extensions, additions and betterments and the acquisition of properties referred to in this application; provided, that after such reimbursement the money be used to pay for the construction of permanent extensions, additions and betterments to the properties of Pacific Gas and Electric Company or advanced to Mount Shasta Power Corporation for the acquisition or construction of hydroelectric power plants, transmission lines and properties appurtenant thereto.

2. The remainder of the proceeds obtained from the sale of the certificates shall be expended only for such purposes as the Railroad Commission may hereafter authorize.

3. The approval herein given of said agreement is for the purpose of this proceeding only and an approval in so far as this Commission has jurisdiction under the terms of the Public Utilities Act, and is not intended as an approval of said agreement as to such other legal requirements to which said agreement may be subject.

4. Pacific Gas and Electric Company shall keep such record of the issue and sale of the temporary certificates herein authorized and of the disposition of the proceeds as will enable it to file, on or before the twenty-fifth day of each month, a verified report as required by

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the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

5. The authority herein granted will not become effective until Pacific Gas and Electric Company has paid the fee prescribed by the Public Utilities Act.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-first day of April, 1920.

DECISION NO. 7453.

BUTTE COUNTY WATER USERS ASSOCIATION, A CORPORATION, AND A. J. LOFGREN

vs.

SUTTER-BUTTE CANAL COMPANY, A CORPORATION.

Case No. 1431.

Decided April 21, 1920.

WATER SERVICE, IRRIGATION—ADDITIONAL CONSUMERS—SHORTAGE OF SUPPLY.—The Railroad Commission will not restrict the service of an irrigation company to the minimum number of consumers which it is enabled to serve during a period of drought. All prospective consumers within the territory in which a public utility irrigation company holds itself out as serving are entitled to their just pro rata of the available supply of water provided they have complied with the rules of the utility as to filing application for service within the specified time. Defendant company having expended a considerable sum of money in the extension of its canals for the purpose of serving additional acreage during the irrigation season of 1920, and complainants having been aware of such intention, their petition to restrict service of defendant, due to a temporary shortage in the supply of water, is denied and the complaint dismissed.

George F. Jones and *Armfield and Eddy*, for Complainants.

Douglas Brookman, *Isaac Frohman* and *A. E. Chandler*, for Defendants.

A. H. Hewitt, for Sutter Water Users Association, Intervener.

W. H. Carlin and *Arthur H. Redington*, for certain other Interveners.

MARTIN, *Commissioner*.

OPINION.

The above entitled proceeding was brought by the Butte County Water Users Association, a corporation, composed of users of water from the system of the Sutter-Butte Canal Company in Butte County, and what may be termed northern Sutter County, and A. J. Lofgren, a water user from the system of the Sutter-Butte Canal Company, who resides in the vicinity of Richvale, Butte County, against the Sutter-Butte Canal Company, a public utility water corporation which delivers water for irrigation in Butte and Sutter counties.

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The complaint alleges in effect that the Butte County Water Users Association is a nonprofit, co-operative corporation organized under the laws of this state for the purpose of protecting their mutual and individual interests and to procure more adequate water and power service for irrigation and other purposes at just and reasonable rates; that A. J. Lofgren is and for more than five years last past has been a consumer purchasing water from defendant; that Sutter-Butte Canal Company is a public service corporation engaged in the business of appropriating, diverting, distributing and selling water for irrigation purposes in the counties of Sutter and Butte in the State of California; that defendant proposes to deliver during 1920 and thereafter water for the irrigation of some 14,400 acres of land located in central Sutter county some ten miles distant from the canal system of defendant as it existed in 1919; that defendant has not available a sufficient supply of water to irrigate this land in addition to lands located in Butte and northern Sutter counties which require water for irrigation; that if defendant is permitted to deliver water for said 14,400 acres of land, all of the consumers whose lands are susceptible of irrigation from the system as it existed in 1919, and who are entitled to receive water therefrom during 1920, will be deprived of the amount of water necessary for the proper irrigation of their lands. Complainants pray for an order of this Commission restraining defendant from delivering water to said 14,400 acres of land, and limiting the number of consumers or acres of land which it has undertaken to supply to such area as the Commission shall find defendant may adequately supply during the irrigation season.

Defendant Sutter-Butte Canal Company in its answer alleges in effect that it proposes to deliver water as a public utility corporation for the irrigation of all lands susceptible of irrigation from its canals and laterals as they existed and were used during the irrigation season of 1919, with some small extensions, and in addition thereto to deliver water for the irrigation of some 14,400 acres of land lying in central Sutter County; that it has accepted the applications of the owners of said 14,400 acres of land and constructed ditches for the delivery of the water; that a sufficient supply is normally available to irrigate the lands desiring water under its system, and that if there is an insufficient supply of water for the irrigation of all of the lands under its system for which application has been made, it is its duty not to make or allow any priority or preference as to service as between localities or consumers which it has undertaken to supply with water. Defendant prays for an order of this Commission declaring the owners of said 14,400 acres of land in Sutter County to have been duly and regularly admitted by defendant to participate in its water supply,

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and that they, as consumers, are entitled to receive their ratable proportion of the available water.

Complaints in intervention were filed by the Sutter Water Users Association, a corporation composed of some of the owners of the 14,400 acres above referred to, and by certain other of these landowners as individuals. Among other things, they allege that relying upon their agreement with defendant they have leased a large portion of their lands and that practically the entire 14,400 acres has been prepared for rice planting at great expense, and that if the prayer contained in the complaint of Butte County Water Users Association is granted, they will suffer great loss. They pray that this Commission direct the Sutter-Butte Canal Company to deliver water for the irrigation of their lands without preference or priority as between themselves and other consumers.

It appears from the evidence that the Sutter-Butte Canal Company was delivering water in 1919 to some 22,000 acres of land planted to rice in Butte and Sutter counties, and some 28,000 acres of alfalfa, fruit, vines, beans and other crops; that during 1918 advances were made to the utility by certain landowners in central Sutter County for the extension of its canal system some eight or ten miles further south, for the purpose of supplying a large area of land in that locality; that subsequently a contract was drawn dated September 15, 1919, between the owners of some 14,400 acres of land and the Sutter-Butte Canal Company, which provided for the construction by the said Sutter-Butte Canal Company of laterals to deliver water to this land, the cost of these laterals to be deposited by the landowners in accordance with the rules and regulations of the Sutter-Butte Canal Company, which are on file with this Commission. The Sutter-Butte Canal Company agreed to construct this system and deliver water for the season of 1920 to these landowners for the irrigation of their lands. The signers of this agreement filed applications with the Sutter-Butte Canal Company and paid the rates for service for the year 1920 as required by the orders of this Commission. These applications were filed with the company shortly after September 15, 1919, and all of them were filed prior to January 1, 1920, which is the date set out in defendant's rules and regulations subsequent to which it is not obligated to accept applications for water for the coming irrigation season. There is also contained in the rules and regulations of the Sutter-Butte Canal Company a rule which provides that if it is necessary to extend or enlarge ditches or laterals in order to supply the land desiring service, application must be made on or before October first of the year preceding the year in which the service is desired.

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Pursuant to the agreement, the Sutter-Butte Canal Company proceeded to construct the canals and ditches necessary for the irrigation of these 14,400 acres of land, and at this time have them practically completed at a cost of between $200,000 and $250,000.

Prior to January 1, 1920, applications for water were filed by the owners or lessees of some 55,300 acres of land in Butte and Sutter counties. Included in these are applications for water for some 8,000 acres in Butte County which have never heretofore been irrigated with water from the Sutter-Butte Canal Company's system.

An inspection of the records in the proceeding before this Commission relating to this company discloses that the canal company in its notices of appropriation stated that the purpose and place of intended use of the waters appropriated were for irrigation in Butte, Sutter, Glenn and Colusa counties. We further find that the Butte County Canal Company, predecessor in interest of the Sutter-Butte Canal Company, obtained franchises from Sutter and Butte counties giving them the right to construct, maintain and operate a system of canals, to cross highways, etc., for conducting water to be distributed and sold to the inhabitants of said counties for irrigation and other purposes.

It further appears that some time since, defendant purchased the right to use what is locally known as the Live Oak Drainage Canal, a canal extending from the system in northern Sutter County in a southwesterly direction to the vicinity of the lands referred to as the 14,400 acres in central Sutter County, and that water was delivered through this canal to certain lands, although only small in area, which are now included in the 14,400 acres or lie adjacent thereto. Furthermore, extensions have been made for the service of lands in Butte County located as far, if not farther, from the then system of this company as these lands are located from the system as it existed in the summer of 1919. These extensions were made without question, and indeed some of those persons now appearing as complainants in this proceeding are the owners of land which was as far distant from the system of the Sutter-Butte or the Butte County Canal Company as it then existed when they contracted or agreed to take water from that company, and subsequent to the agreement the canals were constructed.

The history of the Sutter-Butte Canal Company shows that it has been gradually enlarged and extended since its inception in 1904. The growth of the system until 1911, when the rice industry sprang into being, was very slow. Subsequent to that time, long extensions were made, and the system developed as it exists today. It appears therefore that the extension in question is but one further step in the development of this company's system to serve the area to which its

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supply is dedicated, and it is therefore found as a fact that the 14,400 acres in central Sutter County which are more fully described in the agreement on file with this Commission, entered into the fifteenth day of September, 1919, between the Sutter-Butte Canal Company and certain land owners, and further, as approximately delineated on the map filed as complainant's Exhibit No. 6 in this proceeding, is within the area to which the Sutter-Butte Canal Company has dedicated its service.

The rules and regulations of Sutter-Butte Canal Company provide that application must be made for water and filed with the company not later than January first of the year in which service is desired, and that if the application is not made on or before the date specified, the company may, at its option, refuse service. It is further provided in the rate schedule that for rice irrigation $1 per acre must accompany the application as a payment on rates.

The land owners last above referred to have complied with these rules and regulations, and if defendant herein, at the time of the acceptance of these applications, could reasonably have expected that an adequate supply of water would be available during the 1920 season for the irrigation of this additional area, it follows that they are entitled to their fair share of the available water supply.

It was stipulated at the hearing that in a normal year the Sutter-Butte Canal Company would have available a sufficient water supply for the irrigation of these Sutter County lands in addition to the land which it is obligated to serve in Butte County.

In view of the fact that the applications of these land owners were accepted in September, 1919, and that a study of the records of rainfall and runoff would logically point to the conclusion that the company could at that time have reasonably expected a normal supply for the irrigation season of 1920, defendant was justified in accepting the applications for water to supply the territory in question.

It appears from the evidence that the fact that a contract was being made by the Sutter-Butte Canal Company to deliver water to the 14,400 acres above referred to, was published widely in newspapers with a circulation throughout the entire territory served by the Sutter-Butte Canal Company, and that it was a matter of common knowledge that this extension was being constructed. The Butte County landowners stood by without taking action at that time, when in all probability they believed a normal supply of water would be available for irrigation this year, and brought no action to restrain the Sutter-Butte Canal Company from delivering water to these lands. The Sutter-Butte Canal Company has proceeded to construct these laterals at a cost of between $200,000 and $250,000, and the landowners have gone ahead on the assumption that they would receive water, and

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leased and prepared their lands for rice cultivation. It would most assuredly be unfair to them, after the expenditure of such large sums of money, to restrain the Sutter-Butte Canal Company from delivering water to them during the 1920 irrigation season.

The testimony relating to the quantity of water necessary to supply the area which it is contemplated will be irrigated this year, and the runoff records of the Feather River at Oroville, show that if one cubic foot per second delivered at the land is sufficient to irrigate 50 acres of rice during August, and if a loss of 30 per cent occurs in transmission, there will be a sufficient quantity of water available 80 to 90 per cent of the time for the irrigation of approximately 38,000 acres of rice and some 32,000 acres of general crops. Furthermore, the Sutter-Butte Canal Company now has a permit from the State Water Commission for the diversion of 500 second feet additional at a point some 12 miles below the present intake. The record shows that there is a material quantity of water at this point, even when practically the entire flow of the Feather River is diverted at the intake of the Sutter-Butte Canal Company. This is probably due to return water from irrigation and from the infiltration of water from subsurface supplies.

It would be uneconomical, and would retard the development of this state, if an irrigation company were restricted in its delivery of water to only that area for which it would have a sufficient supply in the driest years. A restriction such as this would prevent the cultivation of large areas of land which would otherwise be cultivated and produce a crop a very large proportion of the time. As a matter of fact, years of drought such as this do not ordinarily occur more frequently than from ten to twenty year periods, and it would be unjustly restricting the expansion of the agricultural pursuits of the state if a company were permitted to serve only the area for which it would have available water during years of extreme drought and consequent minimum water supply.

Applicants applying to a utility for an extension of service, whose applications are accepted in good faith by the utility at a time when it could reasonably expect to have available a sufficient supply of water in addition to that needed for the lands theretofore served, should in justice receive their ratable proportion of the available supply if a shortage occurs, even though that shortage may occur prior to the actual delivery of any water to them.

ORDER.

Butte County Water Users Association and A. J. Lofgren having complained to this Commission against the delivery of water by the Sutter-Butte Canal Company to a certain area located in central

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Sutter County, and Sutter Water Users Association and others having filed complaints in intervention; a public hearing having been held, and the Commission being fully apprised in the premises;

It is hereby found as a fact, that the owners of said 14,400 acres of land referred to in the opinion preceding this order are within the area to which the Sutter-Butte Canal Company has dedicated its service and are entitled to receive their ratable proportion of the available water supply as consumers, during 1920 and thereafter;

And basing its order on the foregoing findings of fact and the further findings of fact and the statements of fact contained in the opinion preceding this order;

It is hereby ordered, that the complaint of the Butte County Water Users Association, a corporation, and A. J. Lofgren be, and the same is hereby, dismissed.

It is hereby further ordered, that Sutter-Butte Canal Company be and it is hereby directed to deliver water for the irrigation of the 14,400 acres herein referred to for the season of 1920 and thereafter, in the same manner and without preference as between this 14,400 acres and the other area served by it.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-first day of April, 1920.

DECISION No. 7459.

IN THE MATTER OF THE APPLICATION OF HAYWARD WATER COMPANY FOR AN ORDER AUTHORIZING IT TO SELL CERTAIN PROPERTY TO THE TOWN OF HAYWARD.

Application No. 5451.

Decided April 21, 1920.

BY THE COMMISSION.

ORDER.

Hayward Water Company is a public utility water company engaged in the business of supplying water for domestic and irrigation purposes in the town of Hayward and vicinity. In the above entitled proceeding applicant asks for authority to sell its public utility water property, more particularly described in the application and hereby referred to and made a part hereof, to the town of Hayward. The town of Hayward has joined in said proceeding and requests that the application be granted, and it appearing that this is not a matter in which a public hearing is necessary and that the application should be granted;

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It is hereby ordered, that the above entitled application be, and the same is hereby granted, on the following conditions:

1. The consideration given for the transfer of said public utility water system shall not be urged before this Commission or any other public body as a finding of value of said properties for rate fixing or any purpose other than the transfer herein authorized.

2. The authority herein granted to transfer said water system and properties shall apply only to such transfer as may have been made on or before September 1, 1920, and a certified copy of the instrument of conveyance transferring the properties herein authorized to be transferred shall be filed by town of Hayward with the Commission within thirty (30) days from the date on which it is executed.

3. Within ten (10) days of the date on which Hayward Water Company actually relinquishes control and possession of the properties herein authorized to be transferred, said company shall file a certified statement with the Commission, indicating the date on which it relinquished control and possession of said properties.

Dated at San Francisco, California, this twenty-first day of April, 1920.

DECISION NO. 7461.

IN THE MATTER OF THE APPLICATION OF THE SACRAMENTO NORTHERN RAILROAD FOR AN ORDER PERMITTING THE CROSSING AT GRADE OF COUNTY ROAD AND TRACKS OF SAN FRANCISCO AND SACRAMENTO RAILROAD IN YOLO COUNTY, CALIFORNIA.

Application No. 5485.

Decided April 21, 1920.

Chas. R. Detrick, for Applicant.

H. A. Mitchell, for San Francisco and Sacramento Railroad.

MARTIN, *Commissioner*.

OPINION.

In this application, filed March 22, 1920, the Sacramento Northern Railroad asks permission to construct a spur track, at grade, across the main line track of the San Francisco and Sacramento Railroad and the county road parallel with and on the south side thereof in Yolo County near Sacramento city. As it appeared necessary to install protective devices at this railroad crossing, the matter was heard at a public hearing on April 5, 1920.

The spur track of the Sacramento Northern will probably be used more and more frequently as the yard which it is designed to serve is gradually constructed. The service at present is limited and the view of the crossing is unobstructed, but train service on the San

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Francisco and Sacramento Railroad and the street car service of the applicant over the main line are frequent and the signals protecting the M street bridge are not far from the crossing, all of which renders adequate protection of this track intersection necessary.

Ordinarily, this protection would be installed in the nearby interlocking tower but, in this case, the tower is at the center of the M street draw span. This is a poor location for interlocking purposes which look to the routing of trains, as the steel draw span obstructs the towerman's view of the tracks so that he is required to use mirrors to see the approaches to the draw. It was proposed by the railroad companies to protect the proposed crossing and the existing spur track crossing about two hundred feet distant toward the M street bridge with hand-operated derails on the spur tracks, which are to be normally open and to be thrown by the train crew of the Sacramento Northern Railroad before passing over the crossing. Further safety provisions are to be installed in the shape of automatic signals and track circuits which will allow of the selective routing of trains. These will allow of the removal of all interlocking functions from the bridge tower except those found necessary to protect trains upon the opening of the draw. With these protective devices, the bridge tender can devote all of his time to the bridge, as was originally intended when this plant was installed. Under the above plan main line trains will have the double protection afforded by both automatic signals and hand-thrown signals when the bridge is open. As the above mode of protection appears to be satisfactory to this case and an improvement over existing conditions, and as the county officials have notified the Commission that there are no objections to the crossing of the county road at grade, it is recommended that this application be granted with the following form of order:

ORDER.

The Sacramento Northern Railroad, a corporation, having filed this application with the Commission, a public hearing having been held, and it appearing to the Commission that this application should be granted subject to certain conditions;

It is hereby ordered, that permission be and the same is hereby granted the Sacramento Northern Railroad to construct a spur track, at grade, across the track of the San Francisco and Sacramento Railroad and across the county road on the east side thereof near the west approach of the M street bridge in Yolo County, California, at the point and in the manner shown on the map attached to the application, said crossings to be constructed subject to the following conditions and not otherwise:

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1. For the protection of the railroad crossing granted in this application, there shall be installed hand-operated derails on the track of the Sacramento Northern Railroad on both sides of the crossing, so arranged that they can be thrown from a point adjacent to the crossing, where a good view of the tracks of the San Francisco and Sacramento Railroad can be had; these derails to be normally open and to be thrown by the train men of applicant. This crossing is also to be protected by light signals on the tracks of the San Francisco and Sacramento Railroad, which are to normally show clear track but which are to automatically show "danger" when the spur track derails are closed or the M street bridge is open.

2. Apparatus similar to the above, to be used in conjunction with it, is to be installed on the existing spur track crossing about two hundred feet nearer the bridge, except that this switch on the main line of the Woodland branch may be used as one of the derails, on account of the short distance between it and the crossing. Track circuits for selective train routing to be used in conjunction with the above lighting signals are to be installed on all of the tracks approaching and using the M street bridge on both sides of the river.

3. The existing signals and derails operated manually from the bridge shall be used only for protective purposes when the bridge is opened.

4. The entire expenses of constructing the railroad crossing with the necessary protective devices, together with the maintenance thereafter, shall be borne by the applicant.

5. The cost of installing the necessary protective devices, other than those required for the crossing applied for in this application, shall be divided between the two railroad companies on the basis of the number of functions required to protect the tracks of each, subject to such agreements as have been made or may be made between them.

6. Trains of the San Francisco and Sacramento Railroad shall approach the crossing under control.

7. Plans for these protective devices shall be submitted to the Commission for approval before their installation.

8. During the period of installation of this crossing, and the protective devices, all trains shall come to a full stop before proceeding over the crossing.

9. The entire expense of constructing the crossing of the county road, together with the cost of its maintenance thereafter, in good and first class condition for the safe and convenient use of the public, shall be borne by applicant.

10. Said crossing shall be constructed of a width and type of construction to conform to that portion of the county road now graded,

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with grades of approach not exceeding 5 per cent, shall be protected by a suitable crossing sign and shall, in every way, be made safe for the passage thereover of vehicles and other road traffic.

11. The Commission reserves the right to make such further orders relative to the location, construction, operation, maintenance, and protection of said crossings as to it may seem right and proper, and to revoke its permission if, in its judgment, the public convenience and necessity demand such action.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-first day of April, 1920.

DECISION No. 7466.

IN THE MATTER OF THE APPLICATION OF MAGGIE L. NOFZIGER AND R. A. BLACKBURN FOR PERMISSION TO SELL AND TRANSFER ALL OF THE PROPERTY OF SAID NOFZIGER TO SAID BLACKBURN.

Application No. 5510.

Decided April 21, 1920.

D. I. Nofziger, for Maggie L. Nofziger.
R. A. Blackburn, in propria persona.

BRUNDIGE, *Commissioner.*

OPINION.

Maggie L. Nofziger asks permission to sell to R. A. Blackburn, for the sum of $8,000, a public utility water plant located at Coachella. A. R. Blackburn, who joins in the application, has agreed to pay $2,000 of the purchase price in cash and $6,000 in two years, with interest at the rate of 7 per cent per annum, as provided in the agreement of sale, copy of which has been filed in this proceeding.

The record shows that the selling price of the properties is based upon an appraisal made by the Commission's engineers in Application No. 4872, in which Maggie L. Nofziger asked the Commission to establish reasonable rates. From the decision in that proceeding, it appears that the Commission's engineers estimated the cost new of the properties at $8,692 and allowed $133 as a replacement fund computed by the sinking fund method. It should be said, however, in this connection, that in fixing rates, applicant did not ask a return upon the estimated cost new of the properties as found by the Commission's engineers, but a return upon $5,000, representing the amount actually paid for the properties. The record further shows that R. A. Blackburn has recently acquired properties in the vicinity of Coachella; that he is in a position to give personal attention to the operation of the public utility properties, and will install all reasonable extensions.

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I herewith submit the following form of order:

ORDER.

Maggie L. Nofziger having applied to the Railroad Commission for authority to sell her public utility water plant to R. A. Blackburn for $8,000, said purchaser having joined in the application, a public hearing having been held, and the Railroad Commission being of the opinion that this application should be granted;

It is hereby ordered, that Maggie L. Nofziger be, and she is hereby, authorized to sell to R. A. Blackburn for the sum of $8,000 the public utility water plant referred to in the petition herein and more particularly described in the agreement of sale filed in this proceeding.

It is hereby further ordered, that R. A. Blackburn be, and he is hereby, authorized to issue a two-year 7 per cent note for the principal sum of $6,000 to pay in part for the properties.

The authority herein granted is subject to the following conditions:

1. The price at which R. A. Blackburn is herein authorized to acquire the properties shall never be urged by him, his successors or assigns, as a measure of value of said properties for the purpose of fixing rates, or for any purpose other than the transfer herein authorized.

2. Within thirty days after taking possession of the properties, R. A. Blackburn shall file with the Railroad Commission a statement showing the exact date on which he has taken possession.

3. Within thirty days after its execution, R. A. Blackburn shall file with the Railroad Commission a certified copy of the instrument of conveyance.

4. The authority herein granted will not become effective until R. A. Blackburn has paid the fee prescribed in the Public Utilities Act.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-first day of April, 1920.

DECISION NO. 7480.

IN THE MATTER OF THE APPLICATION OF CATHERINE A. BROOKS, OWNER OF LAGUNA HEIGHTS WATER SYSTEM, FOR AN ORDER AUTHORIZING THE ISSUANCE OF A NOTE AND MORTGAGE FOR TWENTY THOUSAND DOLLARS.

Application No. 5353.

Decided April 26, 1920.

SECURITY ISSUES—PROCEEDS—USE OF FOR OTHER THAN UTILITY PURPOSES.—In authorizing the issuance of a note, the proceeds of which are to be used for betterments and improvements to public utility property, the Commission

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denies that portion of the application in which applicant requests that she be permitted to use, for personal purposes, that portion of the proceeds not at the time required for the utility's needs, as the law requires that proceeds of securities issued by public utilities be used solely for public utility purposes.

Scarborough, Forgy and Reinhaus, by *S. M. Reinhaus*, for Applicant.

BY THE COMMISSION.

OPINION.

Catherine A. Brooks, engaged in the business of supplying domestic water in and about Laguna Beach, Orange County, applies for authority to issue note for $20,000 and execute mortgage upon her public utility property.

A public hearing upon the application was held by Examiner Westover at Los Angeles.

Applicant reports total investment in the property in question of $56,354.87, with an indebtedness on account of the water system of $3,000 secured by mortgage on water bearing lands recently acquired and $3,000 in unsecured notes. The proceeds of the proposed loan, for which arrangement has already been made, are to be used in improvements to the system estimated to cost about $20,400. Of this it is estimated that about $10,700 would be required in installing about 17,000 feet of transmission mains between two storage tanks and Laguna Beach. It is planned to do this work at once to prepare for the demand for increased service during the summer season. The need for increased facilities is shown by the fact that in 1918 applicant reported 120 consumers, in 1919, 315 consumers, and at the hearing showed 20 new applications for service on hand and that about 75 to 80 were expected by the beginning of the summer resort season. Applicant also wishes to be in a position to serve irrigation water for small acreage tracts in the vicinity, for which it reports considerable demand.

The remaining betterments include improvements to reservoir, relaying and extending certain lines, drilling additional well and constructing a standby pumping plant, all to be installed during the next one and one-half or two years. Until the delayed improvements are installed interest upon that portion of the loan to be used for installing them should not be charged against the water system.

Applicant wishes to temporarily use for private purposes that portion of the proceeds of the loan not at present needed and subsequently install the further improvements when needed, which she appears to be financially able to do, but in view of the provisions of the Public Utilities Act the Commission must require the proceeds of loans on property dedicated to public use to be used exclusively for the purposes of the utility.

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ORDER.

Catherine A. Brooks having applied to the Railroad Commission for permission to issue a note and execute a mortgage, a public hearing having been held, and it appearing to the Railroad Commission that the money, property or labor to be procured or paid for by such issue is reasonably required for the purpose or purposes specified in the order, and that the expenditures for such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income;

It is hereby ordered, that Catherine A. Brooks be, and she is hereby, granted authority to execute a mortgage upon her public utility property described in the form of mortgage attached to the application herein marked Exhibit "C," to secure the payment of her promissory note in an amount not exceeding $11,000 with interest at 7 per cent per annum and future advances not exceeding $9,000 with interest not exceeding 7 per cent, the proceeds of said loan in an amount not exceeding $11,000 to be used for the purpose of installing transmission mains, connecting her storage tanks and Laguna Beach, the remainder of said loan to be hereafter advanced to be used for improvements in said system to be described in supplemental order to be hereafter entered when said further improvements are needed.

The authority herein granted is upon the following conditions:

1. The approval herein given of said mortgage is for the purpose of this proceeding only, and an approval in so far as this Commission has jurisdiction under the terms of the Public Utilities Act, and is not intended as an approval of said mortgage as to other legal requirements to which said mortgage may be subject.

2. Within thirty days after the execution of the mortgage herein authorized applicant shall file with the Railroad Commission a verified copy of such mortgage.

3. Catherine A. Brooks shall keep such record of the issue of the note herein authorized and of the disposition of the proceeds as will enable her to file, on or before the twenty-fifth day of each month, a verified report as required by the Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

4. The authority herein granted shall not become effective until applicant has paid the fee prescribed by section 57 of the Public Utilities Act.

5. The authority herein granted to issue a note and to execute a mortgage shall apply only to such note as may be issued and to such mortgage as may be executed on or before August 1, 1920.

Dated at San Francisco, California, this twenty-sixth day of April, 1920.

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DECISION NO. 7481.

PARLIER CHAMBER OF COMMERCE
vs.
THE PACIFIC TELEPHONE AND TELEGRAPH COMPANY.

Case No. 1370.

Decided April 26, 1920.

TELEPHONE SERVICE—CONNECTING AGREEMENTS.—Though The Pacific Telephone and Telegraph Company had entered into an agreement with Reedley Telephone Company not to serve any territory within a radius of five miles of Reedley, it is directed to erect and operate an exchange in the town of Parlier, located within such radius, when it is shown, after several hearings, that the inhabitants of such town do not want and will not subscribe to Reedley Telephone Company service.

C. A. Parlier and *H. L. Suderman*, for Parlier Chamber of Commerce.
James Shaw and *J. E. Thomas*, for The Pacific Telephone and Telegraph Company.
A. Terkel, for the Reedley Telephone Company.

BRUNDIGE, *Commissioner.*

OPINION.

The Parlier Chamber of Commerce, complainant in this case, asks the Commission to order The Pacific Telephone and Telegraph Company, the defendant, to establish a telephone exchange, and to render adequate and efficient telephone service in the town of Parlier and vicinity, in Fresno County.

A hearing was held at Parlier, December 10, 1919. At that time the Reedley Telephone Company, by its manager, A. Terkel, appeared, and represented that a number of years previously the telephone exchange in the town of Reedley had been purchased by the predecessor of the present company from The Pacific Telephone and Telegraph Company, at which time The Pacific Telephone and Telegraph Company had entered into a connecting agreement with the predecessor of the Reedley Telephone Company, under the terms of which The Pacific Telephone and Telegraph Company agreed not to build any exchange or toll lines within a territory bounded by a circle the radius of which extended five miles from the center of the town of Reedley. The town of Parlier lies just within the above described territory which the Reedley Telephone Company holds itself out to serve, but the Reedley company never has actually given telephone service to the people in the town of Parlier or in the territory immediately adjacent thereto.

The Reedley Telephone Company admitted that necessity existed for the establishment of a telephone exchange in the town of Parlier, and expressed its willingness to establish such exchange provided it could receive necessary assurance of support from the people living in the territory to be served.

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The Pacific Telephone and Telegraph Company also admitted the necessity which existed for the establishment of an exchange in the town of Parlier, but called attention to the connecting agreement existing between itself and the Reedley Telephone Company, and expressed its reluctance to do anything violative of the terms of that agreement. The Pacific Telephone and Telegraph Company also expressed its willingness to obey any order issued by the Commission in this matter, but suggested that it would prefer that the people of Parlier be served by the Reedley Telephone Company, and in case this could be arranged to the satisfaction of the Reedley company and the people in the territory to be served, it would be willing to waive its rights in territory adjacent to Parlier but without the territory which the Reedley company held itself out to serve under the terms of the connecting agreement.

At this hearing doubt was expressed as to whether the people of Parlier would be satisfied with or would give the necessary support to an exchange established by the Reedley Telephone Company and for the purpose of determining this matter it was arranged that Mr. Terkel, manager of the Reedley Telephone Company, and Mr. Suderman, secretary of the Parlier Chamber of Commerce, should together call upon prospective patrons in Parlier and ascertain their desires and their willingness to support the proposed telephone exchange. It was agreed that dependent upon the result of this canvass either the Reedley Telephone Company or The Pacific Telephone and Telegraph Company would apply to the Commission for authority to establish an exchange in Parlier.

This canvass was not made, but under date of January 1, 1920, Mr. Terkel, manager of the Reedley Telephone Company, wrote a letter to the Commission in which he stated that he had attended a meeting of the Parlier Chamber of Commerce and explained the situation from the standpoint of the Reedley Telephone Company, after which the Chamber of Commerce decided that it favored the installation of an exchange by the Pacific company. He reached the conclusion that there remained nothing for the Reedley Telephone Company but to allow the Pacific company to proceed with the installation of the proposed exchange.

While the Reedley Telephone Company, as stated above, withdrew its objection to the installation of an exchange by The Pacific Telephone and Telegraph Company within the town of Parlier, it did not waive any of its claimed rights under the connecting agreement in any of the territory outside but immediately adjacent to the town of Parlier, which territory is absolutely necessary and essential to the successful operation of an exchange in Parlier.

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Negotiations between The Pacific Telephone and Telegraph Company and the Reedley Telephone Company regarding this adjacent territory having failed to reach an understanding, a further hearing was held at Parlier, on March 19, 1920, for the purpose of determining what territory, if any, outside the town of Parlier should be attached to the proposed Parlier exchange. At that time a number of witnesses living in territory adjacent to the town of Parlier appeared and testified. These hearings having been held the matter is now ready for determination.

ORDER.

The Parlier Chamber of Commerce having applied to the Railroad Commission for an order requiring The Pacific Telephone and Telegraph Company to install a telephone exchange in the town of Parlier, hearings having been held, and the Commission being fully advised in the premises;

It is hereby found as a fact that public convenience and necessity require the installation of a telephone exchange in the town of Parlier by The Pacific Telephone and Telegraph Company, and that said Pacific Telephone and Telegraph Company provide adequate telephone facilities and service in a territory immediately adjacent to the town of Parlier, and described as follows:

Beginning at a point one-eighth of a mile of the section line dividing sections 27 and 34, and one-fourth of a mile west of section line dividing sections 34 and 35, township 15 south, range 22 east, Mount Diablo base and meridian, all in the county of Fresno; thence extending northerly in a straight line a distance of 1-5/8 miles to a point one-fourth of a mile west of the easterly line of section 22, township 15 south, range 22 east; thence extending westerly in a straight line a distance of seven-eighths of a mile to a point one-eighth of a mile west of the easterly line of section 21, township 15 south, range 22 east; thence extending northerly in a straight line a distance of 2 miles to a point one-eighth of a mile west of the easterly line of section 9, township 15 south, range 22 east; thence extending easterly in a straight line a distance of 1-5/8 miles to the center of section 11, township 15 south, range 22 east; thence extending northerly in a straight line a distance of one-half mile to the northerly section line of section 11, township 15 south, range 22 east; thence extending easterly in a straight line a distance of 2 miles to a point one-half of a mile west of the easterly line of section 6, township 15 south, range 23 east; thence extending northerly in a straight line a distance of 1 mile to the northerly line of section 6, township 15 south, range 23 east; thence extending easterly in a straight line a distance of 1-1/4 miles to a point one-fourth of a mile west of the easterly line of section 5, township 15 south, range 23 east; thence extending in a southerly direction in a straight line a distance of 3-5/8 miles to a point one-fourth of a mile west of the easterly line of section 20, township 15 south, range 23 east; thence in a westerly direction in a straight line a distance of five-eighths of a mile to a point one-eighth of a mile east of the easterly line of section 19, township 15 south, range 23 east; thence southerly in a straight line a distance of 2 miles to a point one-eighth of a mile east of the easterly line of section 31, township 15 south, range 23 east; thence westerly in a straight line a distance of 1-1/8 miles to the easterly line of section 36, township 15 south, range 23 east; thence northerly in a straight line a distance of one-half mile along the easterly line of section 36, township 15 south, range 23 east; thence westerly in a straight line a distance of 2-1/4 miles to the point of beginning.

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It is hereby ordered, that The Pacific Telephone and Telegraph Company be, and it is hereby, authorized and directed to install a telephone exchange in the town of Parlier, and to provide adequate telephone service in the territory adjacent thereto and hereinbefore described.

It is further ordered, that within thirty days from the date of this order The Pacific Telephone and Telegraph Company shall file with this Commission notice of its intention to construct such exchange in the town of Parlier and vicinity in conformity with the terms of this order.

It is further ordered, that actual construction work for the installation of the above telephone exchange shall be begun within ninety days from the date of this order, unless for good cause appearing, further time may be granted by this Commission.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-sixth day of April, 1920.

DECISION NO. 7482

IN THE MATTER OF THE APPLICATION OF SOUTHERN CALIFORNIA EDISON COMPANY, A CORPORATION, FOR AN ORDER OF THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA, AUTHORIZING IT TO ISSUE, SELL AND DELIVER FIFTY THOUSAND SHARES OF ITS COMMON CAPITAL STOCK OF THE PAR VALUE OF ONE HUNDRED DOLLARS EACH.

Application No. 5312.

Decided April 26, 1920.

BY THE COMMISSION.

FIRST SUPPLEMENTAL ORDER.

The Railroad Commission having by Decision No. 7130, dated February 13, 1920, authorized Southern California Edison Company to issue, at not less than $90 per share, 50,000 shares ($5,000,000) of its common capital stock, subject among others, to the condition that none of the proceeds should be expended except for such purposes as the Railroad Commission might authorize in a supplemental order or orders in this proceeding, and applicant having reported that during the month of February it expended on account of construction of extensions, additions and betterments the sum of $494,436.51, against which it has issued no stocks or bonds, and that it has obtained from the sale of the stock, the issue of which is authorized by Decision No. 7130, dated February 13, 1920, the sum of $82,886.55, and applicant having asked permission to use the $82,886.55 to pay in part the construction expenditures, to which reference has been made; and it appearing

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to the Railroad Commission that such expenditures are reasonable and proper and that applicant's request should be granted; now, therefore,

It is hereby ordered, that Southern California Edison Company be, and it is hereby, authorized to expend $82,886.55 obtained from the sale of stock, the issue of which was authorized by Decision No. 7130, dated February 13, 1920, to finance in part the construction of extensions, additions and betterments during February, 1920, and referred to in the first supplemental petition in this proceeding.

It is hereby further ordered, that the order in Decision No. 7130, dated February 13, 1920, shall remain in full force and effect, except as modified by this first supplemental order.

Dated at San Francisco, California, this twenty-sixth day of April, 1920.

DECISION No. 7483.

IN THE MATTER OF THE APPLICATION OF SOUTHERN COUNTIES GAS COMPANY OF CALIFORNIA FOR AUTHORITY TO INCREASE ITS RATES FOR ARTIFICIAL GAS SUPPLIED TO THE CITY OF SANTA BARBARA AND THE UNINCORPORATED COMMUNITIES IN THE COUNTY OF SANTA BARBARA.

Application No. 5234.

Decided April 26, 1920.

GAS RATES—SUBURBAN DISTRICTS—DIFFERENTIALS IN.—Urban consumers of a gas utility should not be required to pay rates equal to rates paid by consumers receiving service in outlying territory, the cost of distribution in sparsely settled territory being considerably in excess of the cost of such service in more densely populated districts.

Revised schedules of rates established for urban and suburban service, and applicant directed to set aside monthly, for depreciation, the amount allowed for such purpose in determining a rate base.

LeRoy M. Edwards, for Southern Counties Gas Company.

W. P. Butcher, for City of Santa Barbara.

H. A. Adrian, for Tax Payers' Protective League.

BRUNDIGE, *Commissioner.*

OPINION.

In this application the Southern Counties Gas Company asks permission to increase its rates for artificial gas served to its consumers in the city of Santa Barbara and adjacent unincorporated territory. It points out that the existing city rate of $1 per thousand cubic feet is too low, and that during the nine months of March 1 to December 1, 1919, the company suffered a net loss of $2,469.72 without any allowance for interest or depreciation.

These properties were purchased by the applicant from the Santa Barbara Gas and Electric Company in May, 1919, and at the time of

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the hearing of Application No. 4440 in that matter, the Southern Counties Gas Company expressed the hope of procuring an adequate supply of natural gas for its Santa Barbara division, in which event it felt that it would not be necessary to ask for any increase in rates. Investigation has been made of all local gas fields and of undeveloped territory suggested by protestants, but so far the company has not succeeded in obtaining any reliable supply of natural gas in adequate amounts, nor does it appear probable that such a supply will be developed in the near future.

The historical cost new of the Santa Barbara gas properties was reported by Mr. A. R. Kelly, valuation engineer for applicant, as $569,662 as of March 1, 1919. The Commission's engineers made an estimate of the historical cost new, and are in agreement with the figure above stated.

Applicant sets forth in its exhibits the above sum as the historical cost of the property as of that date, and in computing the rate base for 1920 has added to the above amount the net additions and betterments to July 1, 1920, together with working cash capital and material and supplies. The presentation of applicant along the above lines, modified for certain corrections due to inclusion of expenditures not correctly chargeable to additions and betterments to operate property, together with an estimate of the depreciation annuity upon the 6 per cent sinking fund basis, is summarized as follows:

SOUTHERN COUNTIES GAS COMPANY, SANTA BARBARA DIVISION.

Summary of Historical Cost and Depreciation Annuity, 1920.

	Historical cost new	Depreciation annuity, 6 per cent sinking fund basis.
Organization and franchise	$670 00	
Land	7,385 77	
Production	265,973 20	$4,666 21
Transmission	6,570 16	178 57
Distribution	386,889 38	12,137 00
General	12,255 07	731 75
Working cash capital, material and supplies	43,517 00	
Total rate base	$723,313 58	$17,713 59

Since the Santa Barbara Gas properties have been taken over by applicant it has expended a considerable sum of money in maintenance and repairs to the system and has materially improved its condition and service. During the period of its operation, due to these increased costs and higher cost of operation, applicant has not earned sufficient to pay operating expenses, let alone setting aside any amount for depreciation or the payment of interest upon the bonds sold to purchase the property.

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In view of the evidence in this proceeding, I conclude that a reasonable basis for computing rates at this time would be to use the sum of $569,662 plus additions and betterments to June 30, 1920, plus working cash capital and material and supplies, a total sum of $723,313.

An analysis of the operations of applicant for the last six months of 1919 shows that applicant failed to earn sufficient for operating expenses and depreciation during that period. Rates for gas in other communities comparable with Santa Barbara have been higher than $1 per thousand cubic feet, the rate now existing within the city, it being found by this Commission absolutely necessary that a higher rate be charged in order that the utilities could earn a fair return upon the money invested in the property.

The following estimate of the operating expenses for 1920 was prepared from the evidence herein upon the basis of the cost of oil and labor in effect at the time of hearing:

SOUTHERN COUNTIES GAS COMPANY, SANTA BARBARA DIVISION.

Estimated Operating Cost, 1920.

Production	$134,356 00
Transmission	1,946 00
Distribution	20,000 00
Commercial	19,950 00
General	12,549 00
Taxes	17,745 00
Uncollectible bills	1,023 00
Total	$207,569 00

It is estimated that applicant will have an average of 5080 consumers during 1920 and that the requirements of these consumers will total 207,050,000 cubic feet of gas. At present rates applicant would receive an average of approximately $1.03 per thousand cubic feet, and therefore it appears that without an increase in rate applicant would earn only operating expenses with nothing for interest and depreciation. It is very apparent, therefore, that applicant is entitled to an increase in rates. It can not be expected to continue to operate without receiving a fair compensation for its service.

Since the submission of this application the price of crude oil, used by applicant in the manufacture of gas, has been increased 25 cents per barrel, this increase to become effective as far as applicant is concerned on June 1, at the expiration of its contract. This increase in the price of oil, of 25 cents per barrel, causes an increase in the cost of gas delivered to the consumers of 7 cents per thousand cubic feet, and it will therefore appear necessary to increase the rates sufficiently to absorb this further increase in cost. The total increase in cost of oil alone since 1916 has been from $0.825 per barrel to $2.22, representing an increase in cost per 1000 cubic feet of gas sold of 37 cents, which, if added to the present rate, would make $1.42.

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The following sets forth the total cost of service for the year 1920, including the increased cost of oil of 25 cents per barrel for 12 months:

Total gas sales, 207,050 M cubic feet.	
Operating expense	$207,569 00
Increased cost of oil	14,500 00
Depreciation annuity and interest on accrued depreciation	21,314 00
Return for interest and dividends	54,265 00
Total	$297,969 00

Average rate, $1.44 per 1000 cubic feet.

In allowing the increased cost of oil for the period commencing with the effective date of these rates I am mindful of the fact that applicant has earned nothing but operating expenses in Santa Barbara for the last twelve months, and further, that in general increases in rates, by necessity, will lag behind increased cost of operation, and it may be possible that a further increase in cost of production will result.

Applicant has in the past had in effect a different schedule of rates in the territory outside the city of Santa Barbara as compared with the rate in the city, the rate formerly in effect in the city being $1 per thousand cubic feet with a minimum of $1, and that applicable outside the city of Santa Barbara being $1.25 per thousand for the first 10,000 cubic feet, $1.15 per thousand for the next 20,000 cubic feet, and $1.10 for all over 30,000 cubic feet. The main portion of the unincorporated territory served by applicant is in a more or less scattered district, in which the cost of service is considerably greater than within the city limits of Santa Barbara.

Applicant has urged that the same rate be charged in the entire district. It does not appear that this request should be granted as it will put an additional burden upon the city communities to stand the additional cost of serving the more scattered territory. The rates herein proposed will maintain the general differential previously charged and are fixed with a view to returning to applicant a return, in addition to operating expenses and depreciation, of approximately 8 per cent upon the sum heretofore found as a correct rate base.

I recommend the following form of order:

ORDER.

Southern Counties Gas Company having applied for an order establishing the rates to be charged by it for service of artificial gas to its consumers in the city of Santa Barbara and the adjacent unincorporated territory, public hearing having been held, and the matter being submitted and ready for decision:

The Railroad Commission of the State of California hereby finds as a fact that the existing rates of Southern Counties Gas Company for gas service in Santa Barbara and vicinity are unjust and unreasonable and that the rates herein established are just and reasonable.

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Basing its order on the foregoing findings of fact and the other findings of fact as set forth in the opinion preceding this order;

It is hereby ordered, that Southern Counties Gas Company be and the same is hereby authorized to charge and collect for gas served by it in Santa Barbara County the following rates, based upon all meter readings taken on and after the twenty-seventh day of April, 1920:

SCHEDULE NO. 1.

General service.

Applicable to domestic and commercial service for lighting, heating and cooking, including restaurants, apartment houses, hotels, etc.

Territory.

Applicable to within the incorporated limits of the city of Santa Barbara.

RATE.

First	700 cubic feet per meter per month	$1.00	
Next	4,300 cubic feet per meter per month	1.40	per 1,000 cubic feet
Next	15,000 cubic feet per meter per month	1.35	per 1,000 cubic feet
Next	30,000 cubic feet per meter per month	1.30	per 1,000 cubic feet
All over	50,000 cubic feet per meter per month	1.25	per 1,000 cubic feet

SCHEDULE NO. 2.

General service.

Applicable to domestic and commercial service for lighting, cooking and heating, including restaurants, apartment houses, hotels, etc.

Territory.

Applicable to that portion of Santa Barbara County outside the incorporated limits of the city of Santa Barbara served by Southern Counties Gas Company.

RATE.

First	600 cubic feet per meter per month	$1.00	
Next	4,400 cubic feet per meter per month	1.65	per 1,000 cubic feet
Next	15,000 cubic feet per meter per month	1.50	per 1,000 cubic feet
Next	30,000 cubic feet per meter per month	1.45	per 1,000 cubic feet
All over	50,000 cubic feet per meter per month	1.35	per 1,000 cubic feet

It is hereby further ordered, that Southern Counties Gas Company be and the same is hereby directed to set aside for depreciation, commencing with the month of May, 1920, the amount set forth in the opinion herein and such increasing amounts from time to time as should be set aside on the basis herein set forth.

It is hereby further ordered, that Southern Counties Gas Company shall file, on or before April 30, 1920, the schedules herein authorized.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-sixth day of April, 1920.

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DECISION NO. 7484.

IN THE MATTER OF THE GAS SERVICE OF SOUTHERN COUNTIES GAS COMPANY IN THE CITY OF SANTA BARBARA AND VICINITY ON THE COMMISSION'S OWN MOTION.

Case No. 1422.

Decided April 26, 1920.

W. P. Butcher, for the City of Santa Barbara.
Leroy M. Edwards and W. G. Griffith, for Southern Counties Gas Company.

BRUNDIGE, *Commissioner*.

OPINION.

This Commission's attention was called to certain alleged conditions relative to gas service in Santa Barbara and vicinity, by H. A. Adrian, representative of the Taxpayers' League, whereupon the Commission upon its own motion instituted an investigation and held a hearing in Santa Barbara on March 31, 1920, for the purpose of hearing complaints relative to the gas service rendered by Southern Counties Gas Company in Santa Barbara and vicinity.

Contentions had been made by Mr. Adrian of mismanagement of the Gas Company's affairs resulting in lowered efficiency and increased cost of gas to the consumer, of excessive and unnecessary salaries, unwarranted luxury of automobiles and quarters, mysterious and considerable increases in gas bills, and poor quality of gas.

At the hearing of this case, Mr. Adrian failed to appear or present evidence in support of any of the above contentions. Complaint was heard from one consumer of the gas company, claiming that the quality of the gas was unsatisfactory, resulting in excessive cost to him for repair of his appliances, also that the pressure maintained at his service was insufficient, resulting in increased gas usage.

Investigations which have been made from time to time by the Commission's engineers showed that the quality of gas made and distributed by the Southern Counties Gas Company at Santa Barbara was in conformity with General Order No. 58 of this Commission, prescribing certain standards for heating quality, pressure and purity of gas. These matters were reviewed in the present investigation by the Commission and the Southern Counties Gas Company further submitted the results of a house to house canvass of consumers which failed to reveal other than a generally satisfactory condition. None of the contentions enumerated in Mr. Adrian's letter have been substantiated, and being of the opinion that the present quality of gas service supplied by the Southern Counties Gas Company in the city of Santa Barbara and vicinity is satisfactory, adequate and in conformity with the requirements of General Order No. 58 of this Commission, I recommend dismissal of this matter.

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ORDER.

The Railroad Commission having instituted an investigation into the character and quality of gas service supplied by Southern Counties Gas Company in the city of Santa Barbara and vicinity, a public hearing having been held, and the investigation showing generally satisfactory conditions of gas service;

It is hereby ordered, that the above entitled proceeding be dismissed without prejudice.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-sixth day of April, 1920.

DECISION No. 7490.

IN THE MATTER OF THE APPLICATION OF THE VALLEY NATURAL GAS COMPANY FOR A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY FOR THE EXERCISE OF CERTAIN FRANCHISE RIGHTS.

Application No. 5327.

Decided April 26, 1920.

Murray Bourne, for Applicant.

BY THE COMMISSION.

OPINION.

This application of the Valley Natural Gas Company is for a certificate of public convenience and necessity relative to the exercise of the rights under a certain franchise being Ordinance No. 163 of the county of Kern, dated December 15, 1919, heretofore granted said company by the board of supervisors of Kern County.

A public hearing was held in Los Angeles on March 30, 1920, before Examiner Satterwhite, and the matter thereupon submitted.

Petitioner shows that the Valley Natural Gas Company has heretofore been operating in Kern County under a franchise granted to C. B. Colby designated as Ordinance No. 115, dated December 11, 1915, and covering only a portion of Kern County. Said franchise contained a provision requiring the applicant to complete all construction thereunder within a period of three years from the date thereof, and that after the expiration of said three years further construction could be made only upon obtaining further authority from the board of supervisors of Kern County.

The new franchise, for which certificate is herein sought, grants Valley Natural Gas Company the continued right to construct and maintain its gas system for a period of fifty years.

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Petitioner has duly stipulated, in form satisfactory to this Commission, that Valley Natural Gas Company, or its successors or assigns, will never claim before the Railroad Commission, or any court or other public body, a value for said rights and privileges, granted by Ordinance No. 163 of Kern County, in excess of the actual cost to it of acquiring said rights and privileges, which cost is stated in its stipulation to be the sum of $307.80.

ORDER.

Valley Natural Gas Company having applied to the Railroad Commission for a certificate of public convenience and necessity for the exercise of the rights and privileges under a certain franchise of the county of Kern, a public hearing having been held, copies of said franchise and stipulation as to its claim for the value thereof having been duly filed with this Commission:

The Railroad Commission of the State of California hereby declares that the public convenience and necessity require, and will require, the exercise, by Valley Natural Gas Company or its assigns, of the rights and privileges of the franchise granted to it by Ordinance No. 163 of the county of Kern.

The foregoing opinion and order is hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-sixth day of April, 1920.

DECISION NO. 7492.

IN THE MATTER OF THE APPLICATION OF LA RICA WATER COMPANY FOR PERMISSION TO INCREASE THE RATE CHARGED FOR IRRIGATION WATER.

Application No. 5129.

Decided April 26, 1920.

L. G. Shelton, for Applicant.

BY THE COMMISSION.

OPINION.

By its amended application filed at the hearing, La Rica Water company requests authority to increase its rate charged for irrigation water to $2.25 per pumping hour.

The public hearing upon the above application was held by Examiner Westover in Los Angeles.

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Applicant operates a small pumping plant in Baldwin Park, Los Angeles County, from which it supplies water to a small group of irrigators and nine or ten domestic consumers. Its present rate of $1.25 per hour for the operation of its 42-horsepower gasoline engine and pump shows a deficit in operation expenses of $603.87 for 1916, $286.25 for 1917, $754.99 for 1918, and $441 for 1919. Last year it furnished water for irrigation for 175 acres and pumped 1353 hours. It expects to supply irrigation water during the current year for 135 to 140 acres. At the ratio of hours pumped per acre, shown by last year's operations, it will probably pump about 1120 hours. Our engineers estimate the operating expenses at the present increased costs of fuel, labor, and supplies at $2,500. The rate requested by applicant is $2.25 per hour for the operation of the pump, the capacity of which is estimated at 100 to 200 miner's inches per hour, varying with pumping conditions and the advance of the irrigation season.

All of the consumers were notified of the hearing, several were in attendance, and none objected to an increase of rate if it was found upon computation to be reasonable.

The testimony justifies the increase requested and the application should be granted.

ORDER.

A public hearing having been held in the above entitled application, the Commission being fully advised, and the matter being now ready for decision:

It is hereby found that the rate heretofore charged by the La Rica Water Company for irrigation water is unreasonable and noncompensatory, but that the rate hereinafter set forth is a just and reasonable rate. Basing its order herein upon the above findings of fact and upon all the findings of fact contained in the opinion preceding this order;

It is hereby ordered, that the La Rica Water Company be, and it is hereby, authorized and empowered to charge and collect for irrigating water delivered at its pumping plant the sum of $2.25 per hour of operation of its pumping plant; provided, said applicant first file with the Commission its schedule showing said rate within twenty (20) days from the date hereof.

Dated at San Francisco, California, this twenty-sixth day of April, 1920.

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DECISION No. 7494.

IN THE MATTER OF THE APPLICATION OF THE PULLMAN WATER COMPANY FOR AUTHORITY TO INCREASE RATES FOR DOMESTIC WATER SERVICE.

Application No. 2529.

CITY OF RICHMOND

vs.

FRED MEYERS.

Case No. 991.

Decided April 26, 1920.

D. J. Hall, City Attorney, for Complainant and Protestants.
C. A. Odell, for Applicant and Defendant.

BY THE COMMISSION.

OPINION.

Pullman Water Company, Fred Meyers, sole owner, makes application to this Commission for authority to increase rates charged for water to consumers in the various tracts served within the city limits of Richmond and territory adjacent thereto in Contra Costa County, upon the ground that the present rates are inadequate to meet the annual charges.

The complaint in Case No. 991 alleges in effect that the present metered rates charged are discriminatory and unjust as compared with the flat rates, and complainant asks this Commission to establish just rates and give such other relief as appears necessary.

A public hearing upon both matters was held by Examiner Westover at Richmond, at which it was stipulated that they might be consolidated for hearing and decision.

To obtain a water supply for certain of the various tracts in Richmond the promoters thereof prevailed upon Mr. Meyers to undertake the service, and agreed to pay him a bonus of $1.25 to $1.75 per lot, fronting on water mains laid by him at his own expense. The evidence shows that agreements to this effect were executed in behalf of nine different tracts, and mains were laid in accordance therewith between February, 1911, and March, 1913. The total bonus received was $7,014 for a total of 5195 lots.

The utility obtains its water supply by pumping from six 10-inch wells. There are four electric pumping plants located on different tracts and the water is delivered into three elevated redwood tanks and thence into the distribution mains, serving the tracts. These mains are principally 1½ inches, 2 inches and 4 inches in diameter.

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Mr. Meyers began supplying water in 1911 with about ten consumers. To date 263 services have been installed. The present pumping equipment is sufficient for approximately double the number of consumers now served. It is evident that the system is largely overbuilt and still in a developmental stage. The present consumers should therefore not be required to pay a full return upon the investment in plant.

Sufficient data has not been kept by the utility from which original cost of plant or cost of maintenance and operation or actual revenue can be determined. The map submitted, showing the distribution mains, has been recently compiled from memory and is only approximately accurate. Revenue for 1918 is shown in the annual report to the Commission as $4,160.73 and is reported by the Commission's auditor as $3,861.80; collections for 1918 were reported by applicant at the hearing as $3,389.60, not including $250 in water bills outstanding uncollected. It is necessary, therefore, to resort largely to estimates in determining the annual charges of the system. Applicant must keep his records and accounts as required by law in the method directed by the Commission, making it possible for the Commission to reach a more exact determination in subsequent proceedings.

A field investigation was made by Mr. H. A. Noble, one of the Commission's hydraulic engineers. He estimates the original cost of the entire system as $45,504; annuity for replacements as $959.57; and the annual cost of maintenance and operation as $3,225.

It is estimated that the rates set forth in the accompanying order will provide sufficient revenue to yield operating costs and replacements, but only a partial return upon plant investment because the system is overbuilt to serve present consumers.

The system at present is only about 40 per cent metered. It is impossible to compute a rate by which the expenses can be equitably distributed among the consumers under a flat rate method of delivery. The benefits of a completely measured system of delivery are well known and it is recommended that this utility proceed with a plan for the gradual metering of the whole system.

ORDER.

Fred Meyers, doing business under the fictitious name of Pullman Water Company, having made application for authority to increase water rates, a public hearing having been held upon it and Case No. 991, and the Commission being fully apprised in the premises:

It is hereby found as a fact that the rates now being charged by said Meyers are unjust and unreasonable in so far as they differ from the rates herein established, which latter rates are found to be just and reasonable rates.

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Basing its order on the foregoing findings of fact and on all statements of fact contained in the opinion preceding this order;

It is hereby ordered, that Fred Meyers, doing business under the fictitious name of Pullman Water Company, be and he is hereby authorized to file with the Railroad Commission within twenty (20) days from the date of this order, and thereafter charge and collect the following rates for water served to his consumers:

MONTHLY METER RATES.

1. Monthly minimum payments.	
For ¾-inch or ⅝-inch meter	$1 00
For 1-inch meter	1 75
For 1½-inch meter	2 50
For 2-inch meter	3 50
2. Monthly quantity rates.	
For use from 0 to 1500 cubic feet, per 100 cubic feet	26
For use over 1500 cubic feet, per 100 cubic feet	22

3. Meters may be installed at the request of any consumer or at the option of the utility.

MONTHLY FLAT RATES.

To apply on all users on separate premises in whatever ownership.

1. Residences of not more than 5 rooms with not over one bathtub and toilet	$1 40
For each additional room	10
For each additional bathtub or toilet	15
For each private barn, not more than two horses or cows	50
For each additional horse or cow	20
2. Private boarding houses, for each boarder in addition to the family	10
3. Irrigation of lawns, shrubbery, gardens, etc., payable each month in the year, per 100 square feet	03
4. Stores or shops according to the use of water	$1.00 to 3 00
5. Municipal fire hydrants, 2-inch and over, each	1 00

6. Sewer flushing, street sprinkling and all other municipal use at the metered rate.

It is hereby further ordered, that said company shall install a system of bookkeeping and keep the accounts of this utility in conformity with that prescribed by the Railroad Commission of the State of California; also, that readings of all active meters shall be taken and recorded in a suitable book monthly and all water bills rendered strictly according to meter readings.

It is hereby further ordered, that before thirty days from the date of this order, said company shall submit to this Commission for its acceptance a schedule of rules and regulations for the service of water to its consumers.

Dated at San Francisco, California, this twenty-sixth day of April, 1920.

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DECISION NO. 7499.

IN THE MATTER OF THE APPLICATION OF BAKERSFIELD WATER WORKS FOR AUTHORITY TO PURCHASE ALL OF THE PROPERTIES OF BAKERSFIELD WATER COMPANY AND ALSO FOR AUTHORITY TO ISSUE 600 SHARES OF CAPITAL STOCK AND BONDS OF THE PAR VALUE OF NINETY THOUSAND DOLLARS.

Application No. 5551.

Decided April 30, 1920.

Chickering and Gregory, by *Evan Williams*, for Applicants.
Wesley P. Grizalva, for City of Bakersfield.

BRUNDIGE, *Commissioner*.

OPINION.

This application involves the sale of all of the properties of Bakersfield Water Company to Bakersfield Water Works, the execution of a mortgage and the issue of $60,000 of stock and $90,000 of bonds of Bakersfield Water Works.

In Decision No. 2443, dated June 4, 1915 (Volume 7, Opinions and Orders of the Railroad Commission of California, page 15) the Commission found the present value of the Bakersfield Water Company properties to be $91,207. The record herein shows that since the date of that decision the company has expended $41,673.02 for additions, extensions and betterments, which, added to the $91,207, makes a total of $132,880.02.

The new company, according to the testimony, will expend $20,000 obtained from the sale of its bonds for the following purposes:

For 2800 feet 8-inch cast iron main	$5,924 00
For 5200 feet 4-inch cast iron main	6,816 00
For cast iron fittings and valves	300 00
For new pump from Byron Jackson Iron Works	960 00
For finishing part of reservoir to add 500,000 gallons storage	4,000 00
To pay advances by C. W. Kellogg for new cast iron main	2,000 00
Total	$20,000 00

Adding the $20,000 to the $132,880.02 makes a total of $152,880.02, against which the new company would have outstanding $60,000 of stock and $90,000 of 6 per cent bonds.

The record shows that the properties of Bakersfield Water Company will be transferred to the Bakersfield Water Works free and clear of all encumbrances upon the receipt of $60,000 of stock of Bakersfield Water Works and $61,000 in cash.

Bakersfield Water Works asks permission to execute a mortgage to secure the payment of $125,000 of its first mortgage 6 per cent serial gold bonds. Of the bonds, $5,000 face value mature on March 1

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of the years 1921 to 1925; $6,000 on March 1 of the years 1926 to 1930; $7,000 on March 1 of the years 1931 to 1935; and $5,000 on March 1 of the years 1936 to 1942.

The proposed mortgage provides that the trustee may forthwith certify $90,000 of the bonds and $35,000 from time to time, in amounts not exceeding in the aggregate 75 per cent of the fair and reasonable cost of permanent extensions, improvements and additions made subsequent to January 1, 1921, provided that none of the $35,000 of bonds be certified or delivered unless and until the earnings of the company from the operation of its plants and properties and from income upon any securities owned by the company for a period of twelve consecutive months ending not more than sixty days prior to the request for certification of bonds, after deducting from such earnings all operating expenses, including taxes, insurance and customary expenditures for current repairs and current maintenance ordinarily chargeable to operating expense or to maintenance expense, shall have been in each case equal to at least two times the interest charge on all of the bonds outstanding, together with interest on the bonds which the trustee is asked to certify.

I herewith submit the following form of order:

ORDER.

Bakersfield Water Company, having applied to the Railroad Commission for permission to sell its properties to Bakersfield Water Works; and Bakersfield Water Works, having joined in the application, and having asked permission to execute a mortgage and to issue $60,000 of stock and $90,000 of bonds, a public hearing having been held, and the Railroad Commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required for the purpose or purposes specified in this order and that the expenditures are not in whole or in part reasonably chargeable to operating expenses or to income;

It is hereby ordered, that Bakersfield Water Company be, and it is hereby, authorized to sell for the consideration mentioned in this order, to Bakersfield Water Works, all of its properties and more particularly described in Exhibit "C" filed in this proceeding.

It is hereby further ordered, that Bakersfield Water Works be, and it is hereby, authorized to execute a mortgage substantially in the same form as the mortgage filed in this proceeding and marked Exhibit "D."

It is hereby further ordered, that Bakersfield Water Works be, and it is hereby, authorized to issue $60,000 of its common stock and $90,000 of its first mortgage 6 per cent serial gold bonds.

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The authority herein granted is subject to the following conditions:

1. The bonds herein authorized to be issued shall be sold by Bakersfield Water Works for cash at not less than 90 per cent of their face value plus accrued interest.

2. The $60,000 of stock herein authorized to be issued and $61,000 obtained from the sale of the bonds herein authorized to be issued shall be delivered by Bakersfield Water Works to Bakersfield Water Company in payment for all of the properties of that company, it being understood that such properties will be transferred to Bakersfield Water Works free and clear of all encumbrances and indebtedness.

3. $20,000 obtained from the sale of the bonds herein authorized shall be expended by Bakersfield Water Works to pay for the construction of the extensions, additions and betterments referred to in the foregoing opinion and in the testimony in this proceeding.

4. The price paid for the properties of Bakersfield Water Company shall never be urged by Bakersfield Water Works as a measure of value of said properties for the purpose of fixing rates or any purpose other than the transfer herein authorized.

5. The approval herein given of said mortgage is for the purpose of this proceeding only and an approval in so far as this Commission has jurisdiction under the terms of the Public Utilities Act, and is not intended as an approval of said mortgage as to such other legal requirements to which said mortgage may be subject.

6. Within ten days after taking possession of the properties herein authorized, Bakersfield Water Works shall file with the Commission a statement showing the exact date on which it has taken possession of the properties.

7. Within thirty days after its execution, Bakersfield Water Works shall file with the Commission a certified copy of the deed under which it acquires title to the properties of Bakersfield Water Company.

8. Bakersfield Water Works shall keep such record of the issue and sale of the stock and bonds herein authorized and of the disposition of the proceeds as will enable it to file, on or before the twenty-fifth day of each month, a verified report as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

9. The authority herein granted to issue bonds will not become effective until Bakersfield Water Works has paid the fee prescribed in the Public Utilities Act.

10. The authority herein granted will apply only to such stock and bonds as may be issued and sold on or before November 15, 1920.

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The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this thirtieth day of April, 1920.

DECISION NO. 7500.

J. E. PRICE

vs.

PICKWICK STAGES, NORTHERN DIVISION, A CORPORATION.

Case No. 1322.

Decided April 30, 1920.

AUTO STAGE CERTIFICATE—INTERMEDIATE POINTS—SERVICE TO.—An order of this Commission granting permission to an auto stage company or an individual authorizing the operation of stage service between two specified points also covers all intermediate points providing the order itself does not specifically restrict the certificate to the two termini mentioned or to specific intermediate points. As a matter of practical operation, the right of an operative company to establish local service over a portion of a through route will be recognized as furnishing additional service for the convenience of the public unless such service is restricted through qualifications in the order granting the certificate.

AUTO STAGES—RATE REDUCTIONS—COMPETITION.—The Commission can not consider an allegation that a reduced rate voluntarily established by an auto stage company has detrimentally affected a competitor when such competitor's business shows an increase since the establishment of the revised schedule.

Complainant's petition to restrain defendant from operating locally between Paso Robles and San Luis Obispo in connection with its through service from San Francisco to Los Angeles, dismissed.

S. V. Wright, for Complainant.

N. C. Folsom, for Defendant.

BY THE COMMISSION.

OPINION.

J. E. Price, owning, operating and managing a stage line operating between the cities of San Luis Obispo and El Paso de Robles, has filed complaint against the Pickwick Stages, Northern Division, a corporation, alleging that the operation by said Pickwick Stages, Northern Division, of a local stage service between the cities above mentioned is unauthorized; that a reduction of rates by the defendant over the route between the cities of San Luis Obispo and El Paso de Robles will result in competition tending to eliminate and injure the business of complainant; that the continuance of the local service by defendant will result in the destruction of efficient local service between the cities of San Luis Obispo and El Paso de Robles. Complainant prays for an order of the Railroad Commission restraining defendant from operating a local service between El Paso de Robles and San Luis Obispo, and requiring defendant to restore the schedule of tariff rates in effect prior to April 28, 1919, and requiring defendant to cease operating

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any stage service between the above mentioned cities other than that furnished by through stages operating between San Francisco and Los Angeles.

Defendant, Pickwick Stages, Northern Division, filed its answer denying the material allegations of the complaint, and alleging that its operation of local service was in accordance with its right so to do and that the reduction in fares complained of was made in connection with a general tariff readjustment, and not for the purpose of injuring the business of complainant or establishing unfair or ruinous competition.

A public hearing was conducted by Examiner Handford at San Luis Obispo, evidence was received from witnesses for complainant and defendant, the matter was duly submitted upon briefs of counsel, and is now ready for decision.

J. E. Price, complainant, testified that he was operating a stage line between San Luis Obispo and El Paso de Robles, operation commencing in the month of July, 1915, consisting of three round trips per day until the early part of the year 1919, when four round trips per day were scheduled. Witness stated that, prior to the original application of the Pickwick Stages, Northern Division, a copartnership, he had conversation with Mr. Charles F. Wren, one of the copartners, relative to the proposed application for certificate of public convenience and necessity as requested from the Railroad Commission and the proposed applications for permits from the local political subdivisions in the territory served by Mr. Price's line, and that it was his understanding from such conversation that the application of the Pickwick Stages was for the purpose of establishing through service between Los Angeles and San Francisco and that no local service, other than service which would be performed in the carriage of local passengers on through cars operating between Los Angeles and San Francisco, was contemplated, and that, as a result of such understanding, no protest was made by Mr. Price against the granting of the application for certificate of public convenience and necessity by the Railroad Commission or the granting of the permits as then required by the statutory law from the governing bodies of the political subdivisions through which the line would operate. Shortly after the certificate of public convenience and necessity was granted by the Railroad Commission local service was established by the Pickwick Stages, Northern Division, a copartnership, between El Paso de Robles and San Luis Obispo, and such local service was thereafter continued and is at present in operation in competition with the line of complainant, Price. Witness also testified as to difficulties experienced with a Mr. Fulton, who was ticket agent of the Pickwick Stages at San Luis Obispo, Mr. Fulton having

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made certain representations and statements regarding the elimination of Mr. Price as a competitor in the operation of stages between San Luis Obispo and El Paso de Robles and the controversy arising from such statements finally resulting in Mr. Price discontinuing the joint ticket agency at San Luis Obispo formerly maintained by his line and that of the Pickwick Stages. Mr. F. C. Lloyd, a witness on behalf of complainant, testified as to road conditions between San Luis Obispo and El Paso de Robles in comparison with conditions existing on the road between San Luis Obispo and Santa Margarita and also as to conversation had with some representative of the Pickwick Stages prior to the filing of applications for certificate of public convenience and necessity and local permits, also as to conversations had with Mr. Fulton, as agent of the Pickwick Stages, as regards elimination of competition affecting such company.

Mr. Charles F. Wren, a witness on behalf of defendant, testified that he was the president and general manager of the Pickwick Stages, Northern Division, Incorporated; that operation was commenced by the Pickwick Stages, Incorporated, on November 1, 1918; that, in the reduction of local fares between San Luis Obispo and El Paso de Robles, there was no intention of reducing the fares to injure the competitive line, but that the readjustment of rates was made in connection with a general revision of rates covering the territory between Los Angeles and San Francisco and that some thirty-eight reductions resulted from such tariff revision, the specific reason for the reduction between San Luis Obispo and El Paso de Robles being that the rate of $1.50 was considered unreasonable for the service rendered, the mileage being a trifle over thirty miles. The road over which operation was conducted is a paved highway and a competitive rate on the railroad exists of $1. Witness also testified that the representations of Mr. Fulton, when employed as agent by the Pickwick Stages, were not authorized by the company and that said Fulton, as agent, had no authority to determine any policy of the company or to act in any other capacity than that of an agent in doing such work as might be assigned to him in connection with his duties as agent and local representative of the Pickwick Stages at San Luis Obispo; that no authorization was ever given such agent to state that the Pickwick Stages were intending to put the complainant out of business and that, when the matter was brought to the attention of the witness by the complainant, the complainant was so informed.

Pickwick Stages, Northern Division, was a fictitious name under which Charles F. Wren, Stella T. Wren, and Edith A. Wren, as copartners, operated between Atascadero and San Francisco and intermediate points by reason of purchase from the Western Auto Stage

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Company, who formerly operated between Atascadero and San Francisco, and such copartnership filed its tariff C. R. C. No. 5, issued October 1, 1918, effective October 5, 1918, naming the following rates covering the territory between San Luis Obispo and Paso Robles:

Between	One Way	Round Trip
San Luis Obispo and Santa Margarita	$0 75	$1 25
San Luis Obispo and Atascadero	1 00	1 75
San Luis Obispo and Templeton	1 25	2 00
San Luis Obispo and Paso Robles	1 50	2 50
Atascadero and Santa Margarita	50	----
Templeton and Santa Margarita	75	----
Paso Robles and Santa Margarita	1 00	----
Atascadero and Templeton	50	----
Paso Robles and Santa Margarita	1 00	----
Atascadero and Paso Robles	75	----
Templeton and Paso Robles	50	----

Time schedule No. 5 issued on April 15, 1918, to become effective April 22, 1918, scheduled one round trip daily between San Luis Obispo and Paso Robles. Supplement No. 2 to time schedule No. 5, issued May 27, 1918, and effective June 1, 1918, scheduled three round trips daily between San Luis Obispo and Paso Robles. Supplement No. 2 to time schedule No. 7, issued July 8, 1919, and effective July 15, 1919, scheduled four round trips daily between San Luis Obispo and Paso Robles and such number of trips are those being operated at the present time. Local Passenger Tariff No. 6, issued on April 23, 1919, and effective April 28, 1919, reduced fares from the territory between San Luis Obispo and Paso Robles as follows:

Between	One Way
San Luis Obispo and Santa Margarita	$0 50
San Luis Obispo and Atascadero	75
San Luis Obispo and Templeton	85
San Luis Obispo and Paso Robles	1 00
Atascadero and Santa Margarita	35
Santa Margarita and Templeton	50
Santa Margarita and Paso Robles	75
Atascadero and Templeton	35
Atascadero and Paso Robles	50
Templeton and Paso Robles	35

All round trip rates between these points were eliminated by this tariff issuance.

On December 31, 1917, Pickwick Stages, Northern Division, a copartnership, filed its application with the Railroad Commission for a certificate of public convenience and necessity to operate passenger and express service between Atascadero and San Francisco and intermediate points; such application being filed to protect the operative rights acquired from the Western Auto Stage Company, chapter 213, Laws of 1917, containing no provisions whereby a transfer of operative rights could be made unless a certificate of public convenience and

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necessity was issued by the Railroad Commission and permits from the governing bodies of all political subdivisions through which a route operated. This application was withdrawn and an application on behalf of the Pickwick Stages, Northern Division, a corporation, was substituted therefor and filed with the Railroad Commission on January 30, 1918, the latter application being filed by reason of the condition contained in Decision No. 5070 on Application No. 3436 of the Pickwick Stages, Northern Division, a corporation, for an order authorizing the issue and sale of stock (Opinions and Orders of the Railroad Commission, volume 15, page 79), the order in such proceeding not becoming effective until the said Pickwick Stages, Northern Division, a corporation, should have secured a certificate of public convenience and necessity and all necessary permits from public authorities, as provided for in chapter 213, Laws of 1917. Decision No. 5107 on Application No. 3421 was approved by the Railroad Commission under date of February 5, 1918, such decision granting the application of Pickwick Stages, Northern Division, a corporation, for a certificate of public convenience and necessity to operate stage service between Los Angeles and San Francisco and intermediate points; provided that the certificate should not become effective until there had been filed with the Railroad Commission certified copies of permits from the governing bodies of all political subdivisions through which the proposed line was to operate, and Decision No. 5861, dated October 21, 1918, was issued by the Railroad Commission certifying as to the filing of such certified copies of permits.

The specific permits issued by the governing bodies of local political subdivisions and applicable to the portion of the line of the Pickwick Stages, Northern Division, a corporation, herein referred to, were those issued by the board of supervisors of the county of San Luis Obispo, issued under date of May 3, 1918, in accordance with resolution of the board of supervisors adopted April 1, 1918, and covering, among other routes, operation between the termini of Los Angeles and San Francisco and intermediate points; permit issued by the city clerk of the city of San Luis Obispo in May, 1918, based on resolution of the city council of the city of San Luis Obispo, approved February 18, 1918, and covering, among other routes, operation between the termini of Los Angeles and San Francisco; permit issued by the city clerk of the city of El Paso de Robles under date of May 18, 1918, based on resolution of the board of trustees of the city of El Paso de Robles passed on March 4, 1918, covering, among other routes, operation between Los Angeles and San Francisco.

The decisions of the Railroad Commission hereinabove referred to contained no restriction as to the establishment of intermediate or local

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business between points on the route between Los Angeles and San Francisco with the exception that the opinion in Decision No. 5107 on Application No. 3421 recites a condition developed at one of the public hearings held at San Francisco on this application in the following language:

> Applicant does not desire to compete for local traffic between San Francisco and San Jose, or between San Jose and Gilroy, but desires to secure only through passengers to and from these points.

The permits and resolutions of the board of supervisors of the county of San Luis Obispo, of the board of trustees of the city of El Paso de Robles and of the city council of the city of San Luis Obispo contained no prohibition as to the establishment of local service over any portion of the through route and in fact the jurisdiction of the local political subdivisions could not have extended beyond the corporate boundaries of such political subdivisions. The conditions in this proceeding, as regards the establishment of local service over portions of a through route, are comparable with those heretofore considered in Case No. 1206 —*White Bus Line, a corporation,* complainant, vs. *A. R. G. Bus Company, a corporation,* defendant—decided July 10, 1918, Decision No. 5565. In such proceeding it was decided that a company having operative rights over a certain route was entitled to carry passengers between intermediate points on the same route by the establishment of local service. As a matter of practical operation the right of an operative company to establish local service over portions of a through route will be recognized by the Railroad Commission as furnishing additional service for the convenience of the public and, unless operative companies are restricted from establishing such local service by reason of a qualification in a decision granting operative rights, such local service may be established if, in the opinion of the operative company, the public need requires such additional service. If operative companies were not permitted to establish local service over portions of their through route, as outlined above, a condition would be created which would, in many instances, be against public policy as, if a company was required to establish new schedules covering their entire operative route, such additional schedules might require to be conducted at a financial loss in that the traffic between certain intermediate local points might not justify the operation of through cars serving the entire route and the establishment by the defendant of additional schedules covering local service between San Luis Obispo and Paso Robles is not prohibited either by the order of the Railroad Commission nor by the conditions of the permits granted by the local political subdivisions over the portion of the route between San Luis Obispo and Paso Robles.

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As to the portion of the complaint referring to the reduction in fares between San Luis Obispo and Paso Robles:

The testimony in this proceeding does not justify the allegation of complainant that the reduction in these fares was for the purpose of eliminating by competition the stage line conducted by complainant. The testimony of defendant's witness was to the effect that these rates were reduced in connection with a general equalization of rates in defendant's tariffs and on the basis that the reduction resulted in a rate that was adequate for the carrier and reasonable for the public. The Railroad Commission has heretofore held that rates voluntarily established by a utility can not but be deemed just and reasonable under the conditions existing at the time such reduced rates were established. Complainant contends that the establishment of such reduced rates has materially affected his business, but such contention is not borne out by the evidence in this proceeding, which indicates that the business of complainant has increased notwithstanding the increased schedules and the lower rates as established by defendant herein.

After careful consideration of all the evidence and exhibits in this proceeding and of the briefs filed by interested counsel, we are of the opinion and find as a fact that the establishment of local service by defendant over a portion of the through route operated between Los Angeles and San Francisco is not in violation of the decisions of the Railroad Commission approving the application for certificate of public convenience and necessity nor in violation of any conditions contained in permits issued by the governing bodies of local political subdivisions on the portion of the route between Paso Robles and San Luis Obispo. There is no evidence in this proceeding justifying the contention of complainant that the reduction in rates between San Luis Obispo and Paso Robles was made for the purpose of eliminating the competition of complainant in his operation of a stage line between such points.

ORDER.

Public hearing having been held on the above entitled proceeding, the matter having been duly submitted, and the Commission being fully advised and basing its order on the finding of fact as contained in the foregoing opinion;

It is hereby ordered, that this complaint be and the same hereby is dismissed.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this thirtieth day of April, 1920.

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DECISION No. 7501.

IN THE MATTER OF THE APPLICATION OF THE FAIRFAX INCLINE RAILROAD COMPANY, A CORPORATION, FOR PERMISSION TO INCREASE ITS CHARGE FOR BOOKS CONTAINING ONE HUNDRED FARES.

Application No. 5544.

Decided April 30, 1920.

Thomas W. Rivers, for Applicant.

LOVELAND, *Commissioner*.

OPINION.

The Fairfax Incline Railroad Company by this application seeks authority to increase from $2 to $3 the charge for books containing one hundred rides between the terminals of the line. The company is operating the Incline Railroad fourteen hundred feet in length located at Fairfax.

The application sets forth that since 1914 the property has been conducted at a deficit during each year, the total for the six years being $8,065.35 or an average deficit per year of $1,344.22. For the year 1919 the total receipts were $1,651.10 while the total operating expenses were $1,866.86, making a deficit for the twelve months of 1919 of $215.76. The operating expenses covered no overhead nor depreciation and are made up of but four items—motorman's salary $1,040, electricity $463.70, taxes $142.48, repairs and incidentals $222.68. If to the expenses were added an overhead charge and depreciation, the loss would be very much greater. The company has a capital stock issue of ten thousand shares valued at $1 per share upon which no dividends have ever been paid. At the present time there are no bonds nor outstanding indebtedness. The object of the increase is to secure, if possible, sufficient revenue to make the line self-sustaining.

It was shown by the testimony that during the winter months there is practically no travel. The total receipts in January, to illustrate, were $29.20. There will be no increase in the single trip charge which is 5 cents per ride. Notice of the application having been filed with this Commission for the increase from $2 to $3 on the book ticket was given to the general public but no one appeared in opposition to the granting of the application.

I am of the opinion that the change in the fare of the one hundred ride book ticket from $2 to $3 is just and reasonable and the present charge is too low.

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I therefore submit the following form or order:

ORDER.

The Fairfax Incline Railroad Company having applied for authority to increase from $2 to $3 the charge for one hundred trip books, a public hearing having been held, and the Commission being fully apprised in the premises:

It finds as a fact that the existing rate is unremunerative and that the rate sought to be established is just and reasonable.

Basing its order upon the foregoing finding of fact and the further findings of fact in the opinion which precedes this order;

It is hereby ordered, that the Fairfax Incline Railroad Company be, and the same is hereby, authorized within thirty (30) days from the date of this order to file with the Railroad Commission and thereafter charge a rate of $3 for books containing one hundred (100) rides between the terminals of the Fairfax Incline Railroad Company.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this thirtieth day of April, 1920.

DECISION NO. 7502.

IN THE MATTER OF THE APPLICATION OF D. L. LARKIN, THOMAS POYZER AND DONALD ROBERTSON, COPARTNERS, DOING BUSINESS UNDER THE FIRM NAME OF LARKIN TRANSPORTATION COMPANY, FOR PERMISSION TO SELL THEIR BUSINESS AND ASSETS TO LARKIN TRANSPORTATION COMPANY, A CORPORATION, AND IN THE MATTER OF THE APPLICATION OF LARKIN TRANSPORTATION COMPANY, A CORPORATION, TO PURCHASE SAID BUSINESS AND ASSETS AND ISSUE AND SELL CAPITAL STOCK.

Application No. 5480.

Decided April 30, 1920.

Chaffee E. Hall, for Applicants.

DEVLIN, *Commissioner*.

OPINION.

In this application, D. L. Larkin, Thomas Poyzer and Donald Robertson, copartners, doing business under the firm name of Larkin Transportation Company, ask permission to transfer the steamers "Neponset" and "Surf" and other properties owned by the copartners and their business to Larkin Transportation Company, a corporation. Larkin Transportation Company, a corporation, joins in the application and asks permission to issue $60,000 (600 shares) of its common capital stock for the purposes mentioned herein.

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The testimony shows that D. L. Larkin, Thomas Poyzer and Donald Robertson are and have been since July 1, 1919, copartners engaged in the business of owning, controlling, operating and managing vessels regularly engaged in the transportation of property for compensation upon the Sacramento River. To carry on this business, they acquired two steamers—the "Neponset" and the "Surf." The former is at present being used to haul produce from Sacramento River points to railroad terminals, while the latter boat is used for river and bay business. The net value of the assets of the copartnership, exclusive of good will and going concern value as of January 1, 1920, is reported at $35,972.53. All of the properties of the copartnership will be transferred to the Larkin Transportation Company, a corporation, in consideration of the assumption by the Larkin Transportation Company of all liabilities of the copartnership, and the further consideration of the issuance and delivery to the copartners of $39,000 of common capital stock of Larkin Transportation Company.

Larkin Transportation Company also asks permission to issue and sell, for cash, at par $21,000 of its common stock and use the proceeds for such purposes as the Railroad Commission may from time to time authorize by a supplemental order or orders in this proceeding. The record shows that the transfer of these properties to and their acquisition by a corporation will not result in any change in the management of the business and that the stock will be distributed among the copartners in proportion to their interests in the copartnership. The copartners believe that the acquisition of the properties by the corporation will facilitate the securing of additional funds necessary to properly handle the business.

I herewith submit the following form of order:

ORDER.

Application having been made to the Railroad Commission by D. L. Larkin, Thomas Poyzer and Donald Robertson, doing business under the firm name of Larkin Transportation Company, for permission to transfer properties to Larkin Transportation Company, a corporation, and Larkin Transportation Company, a corporation, having joined in the application and having asked permission to issue $60,000 of its common capital stock, a public hearing having been held, and the Railroad Commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required for the purpose or purposes specified in this order, and that the expenditures for such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income;

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It is hereby ordered, that D. L. Larkin, Thomas Poyzer and Donald Robertson, copartners, doing business under the firm name of Larkin Transportation Company, be, and they are hereby, authorized to sell for the consideration hereinafter mentioned to Larkin Transportation Company, a corporation, the steamers "Neponset" and "Surf" and other properties and business referred to in the petition herein.

It is hereby further ordered, that Larkin Transportation Company, a corporation, be, and it is hereby, authorized to issue $60,000 of its common capital stock.

The authority herein granted is subject to the following conditions:

1. Of the stock herein authorized, $39,000 shall be delivered to D. L. Larkin, Thomas Poyzer and Donald Robertson, copartners, doing business under the firm name of Larkin Transportation Company, in part payment for the properties of said Larkin Transportation Company, it being understood that Larkin Transportation Company, a corporation, in acquiring the properties will assume the payment of all the liabilities of the copartners referred to in the petition herein.

2. Stock in the amount of $21,000 may be sold by Larkin Transportation Company, for cash, at not less than par, provided the proceeds will not be expended except for such purposes as the Railroad Commission may authorize in a supplemental order or orders.

3. The price which Larkin Transportation Company, a corporation, is herein authorized to pay for the properties of D. L. Larkin, Thomas Poyzer and Donald Robertson, copartners, doing business under the firm name of Larkin Transportation Company, shall never be urged before this Commission, or other public body, as a measure of value of said properties for the purpose of fixing rates, or for any purpose other than the transfer herein permitted.

4. Larkin Transportation Company, a corporation, shall keep such record of the issue and sale of the stock herein authorized and of the disposition of the proceeds, as will enable it to file, on or before the twenty-fifth day of each month, a verified report, as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

5. The authority herein granted shall apply only to such stock as may be issued and sold on or before December 15, 1920.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this thirtieth day of April, 1920.

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DECISION NO. 7504.

A. H. TICER

vs.

J. C. PHILLIPS AND BESSIE PHILLIPS DAY

Case No. 1393.

Decided April 30, 1920.

JURISDICTION—PUBLIC UTILITY WATER PLANTS—SALE OF SURPLUS WATER TO NEIGHBORS.—While the sale by an individual to his neighbors of surplus water for a fixed compensation technically establishes a public utility water service, under the circumstances in the present case defendants should not be required to continue such service other than for a period of time sufficient to enable complainant to secure water from another source. Defendants authorized to discontinue service to complainant after December 31, 1920.

A. H. Ticer, in propria persona.

Horace C. Head, for Defendants.

BRUNDIGE, *Commissioner.*

OPINION.

Complainant herein is engaged in the business of farming and is the owner of a ten-acre orchard tract near Garden Grove, Los Angeles County, California. Defendants are the owners of a water system located on an adjoining tract of land, from which system complainant has obtained water for irrigation purposes for the past four years.

In the above entitled proceeding complainant alleges that defendants now refuse to continue service of water to his premises, and that such action will cause serious damage to fruit trees and result in loss to complainant.

The answer of defendants to the complainant herein denies that said defendants operate a public utility water plant, but alleges that the water system owned by them is operated for the purpose of supplying water for irrigation purposes to their own ranch; admits, however, that during the development stage of their orchard, surplus water has been supplied to neighbors for their accommodation, and also admits that water was refused to complainant this year for any purpose. Defendants deny that they are obliged to hold themselves out to serve water to the public or that they are under the jurisdiction of the Railroad Commission.

A public hearing was held in this proceeding at Los Angeles. The evidence shows that complainant owns a ten-acre orchard of which five acres are planted to orange trees, now four years old, the remaining acres being planted to walnuts, apricots, etc. This tract adjoins the Day property of 20 acres, planted to lemons, upon which is located a 10-inch well 178 feet deep, a Woods pump and a 15-horsepower motor, which has been the source of supplying complainant with water for irrigation purposes.

It appears from the testimony that while defendants' twenty acres of lemons have been in the process of development, the water system has

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produced sufficient water to more than supply the needs of the orchard, and by reason of that fact water was sold to complainant and others whenever it was requested. The Day property has now reached the state of development where all the water produced can be used to advantage on the place, and it is impossible to supply any additional area. Furthermore, it appears that there has been a gradual lowering of the water table, thus reducing the supply and increasing the cost of operation.

While, technically, defendants have been operating on a public utility basis in supplying water to consumers for compensation when there was more than sufficient to supply their own immediate demands, yet in view of the circumstances surrounding the delivery of this water, defendants should not be required to continue to act as a public utility for longer than a reasonable period in which the consumers may procure other service. It would result in a hardship and perhaps mean the loss of complainant's four-year-old trees to deprive him of water from his present source of supply without providing an interval within which to obtain another supply, and as it was testified at the hearing that the only other source of supply available is by drilling a well upon complainant's premises, it appears that he should be given ample time to make this installation.

Although formal application has not been made by defendant for abandonment of the public utility service in question, the facts relative to such abandonment and upon which the Commission would be justified in making an order to that effect, were fully disclosed at the hearing upon this complaint. It would therefore serve no useful purpose to require the formality of a further hearing upon an application for abandonment of service.

I therefore submit the following form of order:

ORDER.

Complaint having been made to the Railroad Commission as entitled above, a public hearing having been held, the matter having been submitted and being now ready for decision;

It is hereby ordered, that J. C. Phillips and Bessie Phillips Day be, and they are hereby, directed to continue to serve water to complainant A. H. Tiecr until December 31, 1920, at the end of which period complainant shall have provided himself with another source of supply and that thereafter defendants be, and they are hereby, authorized to discontinue serving water to said complainant.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this thirtieth day of April, 1920.

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DECISION No. 7505.

IN THE MATTER OF THE APPLICATION OF LOS ANGELES GAS AND ELECTRIC CORPORATION FOR AN ORDER AUTHORIZING THE ISSUE AND SALE OF BONDS IN THE AMOUNT OF ONE MILLION, FIVE HUNDRED THOUSAND DOLLARS.

Application No. 5624.

Decided April 30, 1920.

Paul Overton, for Applicant.

EDGERTON, *Commissioner*.

OPINION.

Los Angeles Gas and Electric Corporation asks permission to create an additional authorized bonded indebtedness of $3,000,000 to be represented by general mortgage and collateral trust four-year 7 per cent bonds payable April 1, 1924; to issue $1,000,000 of said bonds in accordance with the provisions of the agreement with E. H. Rollins and Sons, a copy of which agreement is attached to the petition and marked Exhibit "D"; to issue pending delivery of the $1,000,000 of bonds $1,000,000 of temporary certificates; to issue and deposit as collateral to secure the payment of the $1,000,000 of temporary certificates and bonds exchanged therefor, $1,500,000 of its first and refunding mortgage 5 per cent bonds due September 1, 1939, and use the proceeds obtained from the sale of the bonds to reimburse its treasury. Applicant also asks the Commission to approve the agreement between it and E. H. Rollins and Sons covering the sale of the $1,000,000 of bonds.

Applicant reports $10,000,000 of common stock and $8,469,000 of bonds outstanding. Its indebtedness, other than the outstanding bonds, consists only of current bills. In Exhibit "A," applicant reports assets and liabilities as of April 1, 1920, as follows:

Asset Accounts.

Fixed capital		$24,119,083 63
Electric	$6,466,128.87	
Gas	17,652,954.76	
Cash and deposits		81,616 56
Notes receivable		50,290 00
Accounts receivable		766,928 39
Interest and dividends receivable		7,306 35
Investments		310,025 00
Materials and supplies		676,406 28
Sinking funds		819,810 19
Prepaid expenses		4,778 03
Unamortized bond discount and expense		45,458 08
Other suspense		5,168 56
Total asset accounts		$26,886,871 07

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Liability Accounts.

Capital stock		$10,000,000 00
Funded debt		8,469,000 00
Accounts payable		534,586 33
Interest accrued		51,979 17
Taxes accrued		297,149 83
Reserve for accrued depreciation		6,375,456 90
Other reserves		1,424 50
Income invested since December 31, 1912, in fixed capital		768,000 00
A. Temporary investment of surplus in fixed capital	$500,000.00	
B. Permanent investment of surplus in fixed capital	268,000.00	
Corporate surplus unappropriated		389,274 34
Total liability accounts		$26,886,871 07

Applicant's first and refunding mortgage provides only for the issue of 5 per cent bonds, and it believes that it is to its interest to provide for a short term bond issue rather than sell its 5 per cent bonds due September 1, 1939, at the prevailing price for such bonds. Applicant is therefore taking the necessary steps to provide for an additional bonded debt of $3,000,000 to be represented by general mortgage and collateral trust four-year 7 per cent bonds due April 1, 1924. E. H. Rollins and Sons have agreed to purchase $500,000 of the bonds immediately and have an option, which may be exercised before October 15, 1920, on $500,000 of additional bonds. Because of the time required to arrange the necessary details for the legal authorization and issuance of the 7 per cent bonds and the execution of the general mortgage or deed of trust, applicant asks permission to issue interim certificates to be later exchanged for bonds.

In Exhibit "C," attached to the petition, applicant reports that from January 1, 1917 to March 31, 1920, it expended for permanent extensions and additions a net amount of $2,030,145.77. Of this amount, applicant intends to pay $500,000 out of its surplus and asks the trustee to certify against such expenditures $1,500,000 of bonds, leaving $30,145.77 of the expenditures as a basis for future bond issues. The record shows that applicant has issued no stock or bonds against the above expenditures. The $1,500,000 of bonds which applicant now asks permission to issue will be deposited by it with the Union Trust Company of San Francisco, trustee, as security for the payment of the $1,000,000 of interim certificates and four-year bonds to be exchanged therefor.

Although applicant asks permission to use the proceeds obtained from the sale of interim certificates or four-year bonds to reimburse its treasury, the testimony shows that all of such proceeds will be used by applicant to pay in part for permanent extensions, additions and betterments to its plant. Applicant estimates its expenditures for permanent

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extensions, additions and betterments to its plant during 1920 at $1,541,260.

A final order covering the issue of the four-year bonds and execution of the general mortgage or deed of trust can not be made until there has been filed with the Commission a copy of the proposed mortgage or deed of trust and its execution authorized by the Railroad Commission.

I herewith submit the following form of order:

ORDER.

Los Angeles Gas and Electric Corporation having applied to the Railroad Commission for permission to create an additional bonded debt to be represented by general mortgage and collateral trust four-year 7 per cent bonds and secured by a general mortgage or deed of trust and the deposit of first and refunding mortgage bonds, and issue and sell $1,000,000 of four-year bonds, a public hearing having been held, and the Railroad Commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required for the purpose or purposes specified in this order and that the expenditures for such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income;

It is hereby ordered, that Los Angeles Gas and Electric Corporation be, and it is hereby, authorized to create an additional bonded debt to be represented by general mortgage and collateral trust four-year 7 per cent bonds due April 1, 1924; provided, that none of such bonds be issued until the Railroad Commission has by supplemental order authorized the execution of the general mortgage or deed of trust under which such bonds will be issued.

It is hereby further ordered, that after having obtained authority to execute said general mortgage or deed of trust Los Angeles Gas and Electric Corporation may issue $1,000,000 of its general mortgage and collateral trust four-year 7 per cent bonds and pending such issue may issue $1,000,000 of interim certificates, such bonds and interim certificates to be issued pursuant to the terms of the agreement with E. H. Rollins and Sons, a copy of which agreement is attached to the petition herein and marked Exhibit "D."

It is hereby further ordered, that Los Angeles Gas and Electric Corporation be, and it is hereby, authorized to issue and deposit as collateral security for the payment of the $1,000,000 of interim certificates, or the $1,000,000 of bonds exchanged therefor, $1,500,000 of its first and refunding mortgage 5 per cent bonds due September 1, 1939; provided, that as interim certificates, or bonds exchanged therefor, are being paid, a proper proportion of first and refunding bonds be returned

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to applicant's treasury and thereafter issued only as authorized by the Railroad Commission.

The authority herein granted is subject to the further conditions as follows:

1. The interim certificates, or the four-year bonds, herein authorized to be issued, shall be sold by applicant for cash at not less than 95 per cent of their face value.

2. The proceeds obtained from the sale of the interim certificates or four-year bonds may be used by applicant to reimburse its treasury because of expenditures made out of income and referred to in Exhibit "C" attached to the petition herein; provided, that after such reimbursement applicant will use the proceeds to pay in part for the construction of permanent extensions, additions and betterments to its plants.

3. Los Angeles Gas and Electric Corporation shall keep such record of the issue and sale of the interim certificates or four-year bonds herein authorized and of the disposition of the proceeds as will enable it to file, on or before the twenty-fifth day of each month, a verified report as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

4. The authority herein granted will not become effective until applicant has paid the fee prescribed in the Public Utilities Act.

5. The authority herein granted will apply only to such interim certificates and bonds as may be issued and sold on or before December 31, 1920.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this thirtieth day of April, 1920.

DECISION NO. 7508.

IN THE MATTER OF THE APPLICATION OF FRESNO CITY WATER CORPORATION FOR AN ORDER AUTHORIZING THE ISSUE OF BONDS.

Application No. 5209.

Decided April 30, 1920.

BY THE COMMISSION.

FIRST SUPPLEMENTAL ORDER.

The Railroad Commission having by Decision No. 7107, dated February 10, 1920, permitted Fresno City Water Corporation to issue $250,000 of its 6 per cent forty-year bonds, subject among others to the condition

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that no bonds be issued until the Commission has by supplemental order authorized the execution of a mortgage securing the payment of the bonds, and Fresno City Water Corporation having filed a copy of its proposed mortgage and deed of trust marked "Exhibit (A) of Supplement to Application No. 5209"; and such mortgage and deed of trust appearing to be in satisfactory form; now, therefore,

It is hereby ordered, that Fresno City Water Corporation be, and it is hereby, granted authority to execute a mortgage and deed of trust substantially in the same form as the mortgage and deed of trust filed in this proceeding on April 14, 1920, and marked "Exhibit (A) of Supplement to Application No. 5209";

Provided, that the approval herein given of said mortgage and deed of trust is for the purpose of this proceeding only and an approval in so far as this Commission has jurisdiction under the terms of the Public Utilities Act, and is not intended as an approval of said mortgage and deed of trust as to such other legal requirements to which said mortgage and deed of trust may be subject; and

Provided further, that the authority herein granted will not be interpreted as imposing upon the Commission any obligation whatsoever to authorize the issue of any additional bonds under said mortgage and deed of trust pursuant to the terms and conditions thereof.

It is hereby further ordered, that the order in Decision No. 7109, dated February 10, 1920, shall remain in full force and effect, except as modified by this first supplemental order.

Dated at San Francisco, California, this thirtieth day of April, 1920.

DECISION No. 7529.

IN THE MATTER OF THE APPLICATION OF FRANK P. CADY AND RILLA E. CADY, COPARTNERS, OWNERS OF SUSANVILLE WATER WORKS, FOR AN ORDER AUTHORIZING THE ISSUE OF A NOTE OR NOTES SECURED BY MORTGAGE UPON SAID SUSANVILLE WATER WORKS, FOR THE SUM OF TWENTY-FOUR THOUSAND DOLLARS.

Application No. 5531.

Decided May 3, 1920.

LOVELAND, *Commissioner.*

OPINION.

Frank P. Cady and Rilla E. Cady, copartners, owners of Susanville Water Works, ask permission to execute to the Bank of Lassen County a mortgage securing the payment of a $24,000, 7 per cent note payable on or before four years after date, and to issue such note for the purposes hereinafter mentioned.

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In Decision No. 2905, dated November 18, 1915, (volume 8, Opinions and Orders of the Railroad Commission of California, page 431), the Commission, in fixing applicants' rates, used $50,000 as a reasonable rate base.

In Exhibit No. 1 attached to the petition, applicants report an expenditure of $7,545.09 since the appraisal of the properties by the Commission's engineers and up to December 31, 1919. Reports filed with the Commission show that during 1915, 246 consumers were connected with this water system; during 1916, 249; during 1917, 242; during 1918, 288; during 1919, 355.

After paying operating expenses and interest, applicants for 1917 report a surplus of $2,605.18; for 1918, a surplus of $3,323.91; and for 1919 a surplus of $4,135.97.

Applicants report that on account of the increase in population of Susanville they are called upon to extend the distributing system, to build another storage reservoir, and to meter the entire system in order to conserve the water supply.

Applicants also report that under an agreement of March 2, 1914, approved by the Commission, they are obligated to purchase from the Lassen Townsite Company, a corporation, a distributing system installed by the Townsite company and connected with their system. The cost of installing and laying this distributing system is reported at $3,357.20, and the cost of the other improvements, additions and betterments, to which reference has been made, at $13,650.

Applicants have arranged to borrow $24,000 from the Bank of Lassen County, such loan to be represented by a 7 per cent note payable on or before four years after date and to be secured by a mortgage. A copy of the mortgage is attached to the petition and marked "Exhibit No. 3." Of the moneys obtained through the issue of the note, $9,000 will be used to pay an outstanding note issued under an order of the Railroad Commission and the remainder to pay for the improvements, additions and betterments and the acquisition of the properties to which reference has been made.

I herewith submit the following form of order:

ORDER.

Frank P. Cady and Rilla E. Cady, copartners, owners of Susanville Water Works, having applied to the Railroad Commission for permission to execute a mortgage and issue a $24,000 note, a public hearing having been held, and the Commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required for the purpose or purposes specified in this order, and that the expenditures for such purpose or purposes are not in

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whole or in part reasonably chargeable to operating expenses or to income;

It is hereby ordered, that Frank P. Cady and Rilla E. Cady, copartners, owners of Susanville Water Works, be, and they are hereby, authorized to execute a mortgage substantially in the same form as the mortgage attached to the petition herein and marked "Exhibit No. 3" and to issue to the Bank of Lassen County a $24,000, 7 per cent note payable on or before four years after date, such note to be issued at not less than its face value and the proceeds applied to the following purposes:

(*a*) To pay or refund outstanding note	$9,000 00
(*b*) To purchase and install 300 meters	6,150 00
(*c*) To construct a 100,000-gallon reservoir	2,000 00
(*d*) To purchase distributing system from Lassen Townsite Company	3,557 20
(*e*) To install additional distribution mains	5,500 00
Total	$26,207 20

The authority herein granted is subject to further conditions as follows:

1. The approval herein given of said mortgage is for the purpose of this proceeding only and an approval in so far as this Commission has jurisdiction under the terms of the Public Utilities Act, and is not intended as an approval of said mortgage as to such other legal requirements to which said mortgage may be subject.

2. Frank P. Cady and Rilla E. Cady, copartners, owners of Susanville Water Works, shall keep such record of the issue and sale of the note herein authorized and of the disposition of the proceeds as will enable them to file, on or before the twenty-fifth day of each month, a verified report as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

3. The authority herein granted will not become effective until applicants have paid the fee prescribed in the Public Utilities Act.

4. The authority herein granted will apply only to such note as may be issued on or before October 1, 1920.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this third day of May, 1920.

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DECISION NO. 7533.

IN THE MATTER OF THE INVESTIGATION, ON THE COMMISSION'S OWN MOTION, OF THE ELECTRIC SERVICE RENDERED BY GREAT WESTERN POWER COMPANY OF CALIFORNIA IN PLUMAS COUNTY.

Case No. 1402.

Decided May 3, 1920.

ELECTRIC SERVICE—INTERRUPTIONS TO—ELIMINATION OF.—To eliminate, in so far as possible, interruptions to service, and to secure an adequate supply of energy to consumers in Plumas County, respondent is directed to construct certain additional transmission lines and reinsulate existing lines, to install a substation and additional switching equipment and further clear trees and brush along the right of way of its transmission lines. Such work to be completed within a period of five months.

Guy C. Earl and *Chaffee E. Hall*, for Great Western Power Company of California.
I. J. Truman, Jr., for Engels Copper Mining Company.

DEVLIN, *Commissioner*.

OPINION.

The Railroad Commission instituted this proceeding on its own motion for the purpose of investigating the character of service furnished by Great Western Power Company of California in Plumas County and, in particular, to the Engels Copper Mining Company, the principal consumer on the Power Company's system in that territory, who complained that frequent and costly interruptions to service had occurred. Defendant, Great Western Power Company of California, was notified to appear before the Commission on December 23, 1919, to show cause, if any it had, why the Commission should not proceed with such investigation and make such order or orders in connection with service in Plumas County as might be found proper in the premises.

Extended hearings were held in San Francisco and the matter is now submitted and ready for decision.

The evidence herein clearly shows that interruptions to the service in question have been quite frequent and, in many instances, over extended periods of time, and that these interruptions have been due to a multiplicity of causes.

Particular stress has been placed by the mining company upon the frequency with which service has been affected by falling trees, and it contends in this connection that the right of way clearing provided for the transmission line is insufficient to safeguard the line from the hazard of falling trees. The Commission, in the course of the proceedings in Case No. 1271, *Engels Copper Mining Company* vs. *Great Western Power Company*, found it desirable, and the parties to the

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proceedings agreed, to direct a representative each of the Commission, the mining company and the power company to make a survey of tree conditions along this right of way. The Commission's representative, Mr. Lloyd Henley, submitted a report in which the other representatives concurred. In this report it was recommended that certain additional clearing or tree falling be done, the opinion being expressed that, with this done, the line in this respect would be in a reasonably safe operating condition. The record in this present proceeding shows that all work outlined in the above mentioned report had been completed.

Immediately prior to the initiation of this proceeding, several informal conferences were held between representatives of the mining company, the power company and the Commission, wherein the mining company vigorously protested against the service which they had received, and again urged that the transmission right of way was inadequately cleared, especially that section of line between the Veramont substation and Engels mine, a distance of approximately ten miles. It was also contended that the carrying capacity of this section of line was inadequate to satisfactorily care for the demands soon to be placed upon it by reason of contemplated further developments at the mine.

In order that the Commission be assured that no hazardous tree situations were overlooked at the time of the inspection above referred to, it again directed one of its engineers, Mr. Lloyd Henley, to inspect the section of the line in question in company with representatives of both interests. Notwithstanding the recommendations concurred in by the former inspection party, Mr. Henley recommended that certain additional clearing be done. This was agreed to by the power company and it is shown herein that the same has been effected.

The mining company has repeatedly urged that the right of way of this transmission line be cleared of all trees within falling distance thereof, regardless of the character of timber encountered. Such extensive clearing is, in our opinion, not dictated by engineering practice and judgment. We are furthermore of the opinion that since the recommendations of the engineers, who have made inspection of the line upon direction of the Commission, have been carried out, the line is in a reasonably safe operating condition, and can be kept so with diligence and proper maintenance on the part of defendant.

The Commission has been advised, subsequent to the submission hereof, that Great Western Power Company has completed the construction of a private telephone line on the poles of the transmission line between Smith's Point and Paxton. Such facilities will enable workmen engaged upon repairs in this section of line to report clear with dispatch. This should effectively avoid a repetition of many delays heretofore encountered in the reestablishment of service and

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disposes of the difficulties to which the mining company has been subjected on this account.

Referring to the adequacy of capacity of that section of the line between Veramont substation and the mine, and basing my conclusions upon calculations of our engineers, I believe that the capacity of the line is sufficient to satisfactorily meet the demands which now exist or are at present contemplated by the mining company. I fully realize, however, that future developments at the mine may progress to a far greater degree than is now anticipated, thus rendering the existing line inadequate. In this event the Commission desires to give full assurance that it will require such additional facilities as may be necessary to meet all requirements of the consumer.

From a review of the evidence herein, I am of the opinion that the Engels Copper Mining Company and all other consumers in Plumas County are entitled to a more continuous and dependable service than that which has been heretofore rendered. Considerable sums of money could be spent in additional clearing of trees, perfecting line devices, reinforcing long spans, etc., and nevertheless leave unremoved a great many possibilities of service interruptions. Duplicate transmission facilities would obviously go further toward insuring satisfactory service than perhaps any other remedy.

I desire at this juncture to refer to the new Caribou hydroelectric development of defendant. When this plant is completed and in operation, a very substantial source of power will be located some thirty miles nearer to Plumas County consumers, thereby reducing transmission distance an equivalent amount. This alone would obviously reduce the probability of transmission troubles to approximately one-half. Another available and important possibility for service improvement lies in the utilization of the existing Butt Creek-Veramont line as an alternate transmission circuit from the Caribou plant, and if a new line were now constructed from Butt Creek plant to a point on the Las Plumas-Veramont line, somewhere in the vicinity of Smith's Point, duplicate delivery of Las Plumas energy would then be obtained from this point into Plumas County. In order that this additional circuit be available it would be necessary to double the voltage on the Butt Creek-Veramont line, and to more extensively clear its right of way. Defendant's Plumas County consumers are justly entitled to the improved service which the above proposal would doubtless bring about. The Caribou plant should be in operation early in the year 1921, but the improvements in transmission facilities herein described should not be delayed in the interim, and I shall recommend that this work be initiated at an early date and completed before the winter storms of 1920 set in, as set forth in the order which follows.

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I submit the following form of order:

ORDER.

The Railroad Commission of the State of California, having instituted an investigation into the electric service rendered by Great Western Power Company of California in Plumas County, hearings having been held and such investigation now completed, and the Commission being of the opinion that definite and constructive steps should be taken to the end that the Great Western Power Company of California render more continuous and dependable electric service to its consumers in Plumas County;

It is hereby ordered, that Great Western Power Company of California proceed at once with the following work:

1. Construct a 44-kilovolt transmission line from a point on the present Las Plumas-Veramont line near Smith's Point to or near to the site of the Caribou plant, equivalent in capacity to the present line.

2. Install a substation at or near the site of the Caribou plant of such design that it may be temporarily utilized for the purpose of delivering energy from Las Plumas for construction purposes at Caribou, and thereafter for the purpose of supplying energy from Caribou to consumers in Plumas County.

3. Reinsulate the existing Butt Creek-Veramont line for 44-kilovolt service and clear the right of way for this line of all trees and underbrush for a distance of at least 20 feet each side of the center line of poles and of all other trees or brush within falling distance of the line which may be a menace to service through the probability of the same falling into the line, and put the line generally in first class operating condition.

4. Construct a 44-kilovolt line from Butt Creek to substation above mentioned at Caribou of capacity at least equivalent to that of the present Las Plumas-Veramont line.

5. Install such switching equipment as will make possible the transmission of electricity from Las Plumas to Veramont either by way of Paxton or by way of Caribou and Butt Creek, or over the two lines in parallel.

It is hereby further ordered, that the additional facilities hereinabove prescribed shall be completed within five months from the date of this order, in a manner satisfactory to the Commission, and that Great Western Power Company of California shall install such other and additional facilities as this Commission shall hereafter from time to time direct in pursuance of the intent and purpose of this order.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this third day of May, 1920.

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DECISION NO. 7540.

CITY OF RICHMOND

vs.

McEWEN BROTHERS.

Case No. 988.

Decided May 3, 1920.

D. J. Hall, for Complainant.

Alberta Anderson, for Defendants.

BY THE COMMISSION.

OPINION.

The complaint alleges that defendants charge a flat rate of $1.50 per month for water served a majority of its consumers and a measured rate of 35 cents per thousand gallons with a minimum of $1.50 per month, but that the measured rate is discriminatory and not just, fair or reasonable. The answer denies that the measured rate is discriminatory and not just, fair or reasonable, and alleges that it is the measured rate fixed by city ordinance.

A public hearing on the case was held by Examiner Westover at Richmond.

Defendant corporation is primarily engaged in the business of subdividing and selling lands. The construction and operation of the system in question was incidental to defendants' main business. Water is pumped from wells and stored in wooden tanks from which it is distributed to 171 services, of which 81 are metered. Meters were installed primarily to conserve water. As has been stated many times by the Commission, the measured system of selling water conduces to a more equitable distribution of the charges to the consumers, a conservation of the water supply, and economy in operation. Therefore it is recommended that applicant should proceed with some comprehensive program for metering its entire system.

A field investigation was made by Mr. F. D. Andrews, one of the Commission's hydraulic engineers. His report submitted in evidence shows that the system, constructed for the purpose of promoting real estate sales in this locality, is largely overbuilt to serve the present consumers, and therefore in estimating the annual charges to be returned by the rates he recommends a partial return for interest on plant investment. Considering this fact he concludes that the rates in effect provide a reasonable return to the utility.

However, after a careful consideration of the evidence and a comparative study of the rates in effect and of the water use, it appears that an adjustment of the schedule of flat and metered rates would more equitably distribute the charges among the consumers.

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To this end the rate schedule set out in the following order has been computed and is designed to return to the utility the reasonable annual charges of the system as at present operated.

ORDER.

The city of Richmond having complained that the metered rates of defendant are discriminatory, unjust, unfair and unreasonable, defendant having answered, a public hearing having been held, and the Commission being fully apprised in the premises:

It is hereby found as a fact that the present rate schedule of the water system owned and operated by McEwen Brothers, in so far as it differs from the rate schedule hereinafter set out, is unjust, unreasonable and discriminatory, and that the rates herein established are just and reasonable rates to be charged for water by said McEwen Brothers.

Basing its order upon the foregoing finding of fact and the other statements of fact contained in the opinion preceding this order;

It is hereby ordered, that McEwen Brothers be and they are hereby directed to file with this Commission within twenty (20) days of the date of this order, and thereafter charge the following rates:

Meter Rates.

1. Monthly minimum payments.	
For ¾-inch or §-inch meters	$1 00
For 1-inch meter	1 75
For 1½-inch meter	2 50
For 2-inch meter	3 50
2. Monthly quantity rates.	
For use from 0 to 1500 cubic feet, per 100 cubic feet	26
For use over 1500 cubic feet, per 100 cubic feet	22

Monthly Flat Rates.

(To apply on all users on separate premises in whatever ownership.)

1. Residences of not more than 5 rooms with not over one bathtub and toilet	$1 40
For each additional room	10
For each additional bathtub or toilet	15
For each private barn, not more than 2 horses or cows	50
For each additional horse or cow	20
2. Private boarding houses, for each boarder in addition to the family	10
3. Irrigation of lawns, shrubbery, gardens, etc., payable each month in the year, per 100 square feet	03
4. Stores and shops according to the use of water, $1.00 to	3 00
5. Municipal fire hydrants, 2 inches and over, each	1 00
6. Sewer flushing, street sprinkling and all other municipal use at metered rate.	

It is further ordered, that said McEwen Brothers file with this Commission within thirty (30) days of the date of this order full and sufficient rules and regulations to govern their dealings as a water utility with their consumers.

Dated at San Francisco, California, this third day of May, 1920.

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DECISION NO. 7541.

IN THE MATTER OF THE APPLICATION OF SOUTHERN CALIFORNIA EDISON COMPANY, A CORPORATION, FOR AUTHORITY TO ISSUE AND SELL BONDS IN THE AMOUNT OF FIVE MILLION DOLLARS FACE VALUE.

Application No. 5617.

Decided May 5, 1920.

Roy V. Reppy, for Applicant.

EDGERTON, *Commissioner*.

OPINION.

Southern California Edison Company asks permission to issue and sell $5,000,000 of its general and refunding mortgage 6 per cent twenty-five-year gold bonds of the series of 1919.

In Exhibit No. 2, applicant reports its estimated expenditures from March 1, 1920, to December 31, 1920, to carry on its hydroelectric development work and construct necessary transmission and distribution lines and facilities to properly take care of the normal growth of its business, at $8,505,000. This amount is distributed as follows:

To complete Kern River No. 3 development	$1,985,000 00
To carry on work at Big Creek, including third unit at Big Creek No. 2, work on Shaver tunnel and reservoir, Pittman Creek tunnel and on Big Creek No. 8	2,108,000 00
To complete substation at Vestal (Richgrove)	814,000 00
To complete Greenhorn transmission line from Kern No. 3 to Vestal substation	531,000 00
To complete change at Eagle Rock for increasing the capacity of that substation	312,000 00
To install additional steam turbine at Long Beach	420,000 00
To pay for necessary changes and increases in general transmission and distribution system	2,335,000 00
Total	$8,505,000 00

Applicant has not filed with the Commission a detailed statement of its estimated construction expenditures, but is willing that the order herein should provide that the proceeds obtained from the sale of the bonds be deposited in a special fund or funds and expended only for such purposes as the Railroad Commission may from time to time authorize by supplemental order or orders in this proceeding.

Applicant reports that it has arranged for the sale of its bonds at 83 and accrued interest. While this appears to result in a relatively high effective interest rate, I am satisfied that it is more desirable that the bonds be sold at the price suggested rather than suspend construction work on applicant's hydroelectric plants or require applicant to issue short term notes at an equal or higher rate of interest.

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I herewith submit the following form of order:

ORDER.

Southern California Edison Company having applied to the Railroad Commission for permission to issue $5,000,000 of bonds, a public hearing having been held, and the Railroad Commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required for the purpose or purposes specified in this order and that the expenditures for such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income;

It is hereby ordered, that Southern California Edison Company be, and it is hereby, authorized to issue $5,000,000 of its general and refunding mortgage 6 per cent twenty-five-year gold bonds of the series of 1919.

The authority herein granted is subject to the following conditions:

1. The bonds shall be sold by applicant, for cash, at not less than 83 per cent of their face value and accrued interest, and the proceeds deposited in a special fund or funds and expended only for such purposes as the Railroad Commission may authorize in a supplemental order or orders herein.

2. Southern California Edison Company shall keep such record of the issue and sale of the bonds herein authorized and of the disposition of the proceeds as will enable it to file, on or before the twenty-fifth day of each month, a verified report as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

3. The authority herein granted will not become effective until applicant has paid the fee prescribed in the Public Utilities Act.

4. The authority herein granted will apply only to such bonds as may be issued and sold on or before December 15, 1920.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this fifth day of May, 1920.

DECISION No. 7542.

IN THE MATTER OF THE APPLICATION OF SANTA BARBARA TELEPHONE COMPANY FOR MODIFICATION OF TOLL RATES.

Application No. 4933.

IN THE MATTER OF THE APPLICATION OF SANTA BARBARA TELEPHONE COMPANY, A CORPORATION, FOR AN ORDER TO INCREASE ITS RATES.

Application No. 5039.

Decided May 5, 1920.

VALUATION TELEPHONE PROPERTIES—DUPLICATIONS OF EQUIPMENT.—It is held that losses arriving from duplication of plant in consolidated utilities should

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not be entirely and permanently borne by the public. The amount of such duplicate property, less its salvage value, should be ascertained, and the amount so ascertained, amortized over a period of years, should be written off of capital account.

DUPLICATION—TELEPHONE PROPERTIES—AMOUNT TO BE SET ASIDE FOR.—Setting aside for depreciation a purely arbitrary amount, being the sum considered available for such purpose after paying operating expenses, is held to be an unsound practice. For the protection of both the public and the utility a specified sum annually must be set aside for such purpose. Applicant directed to set aside the sum of $33,000 annually to be used solely to insure against depreciation under rules approved by the Railroad Commission.

RATES—TELEPHONE—FREE SWITCHING AREAS.—The establishment of free switching between logical exchange areas, is considered bad practice and should be abolished, and proper exchange areas not necessarily confined to political boundaries established.

Chickering and Gregory, by *Allen L. Chickering*, for the Applicants.

W. P. Butcher, for the City of Santa Barbara.

J. F. Frick, for the City of Lompoc.

C. L. Preisker, for the City of Santa Maria.

N. P. Powley, for the Pacific Telephone and Telegraph Company.

J. F. Frick, *C. L. Preisker*, *S. J. Stanwood*, *John Torrance*, and *H. S. Dedrick* (members of the board of supervisors) for the Board of Supervisors of the county of Santa Barbara.

Dr. E. O. Campbell and *E. S. Peck*, for the Goleta Improvement Club.

LOVELAND, *Commissioner*.

OPINION.

On September 8, 1919, applicant filed with the Commission Application No. 4933, asking for a modification of its toll rates and requesting the Commission to put into effect for its system the rates which were then established for toll service by the Postmaster General under federal control.

On October 10, 1919, Application No. 5039 was filed, asking for an investigation into all of applicant's rates and for an order establishing such increases as might seem just and reasonable under the circumstances. At a hearing in Santa Barbara held on November 24, 1919, these two applications were consolidated. At that hearing applicant introduced its exhibits on investment, valuations, operating revenues and expenses and estimates of future operations, and it was agreed that the Commission's engineering department should make a report dealing with these matters and with the service of the company. Copies of the report were to be furnished to all of the parties to the proceeding and it should then be decided whether or not an additional hearing would be necessary. The engineering department's report has been made, copies have been given out as agreed upon, and the matter is now ready for a decision.

Applicant states that the rate schedules, both toll and exchange, under which operations have been carried on since the business was taken over by the present company, have never been sufficient to earn a reasonable return on investment, that operating expenses have been

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increasing on account of increased costs of labor and material in a much greater proportion than the increases of operating revenues, and that unless an increase in rates is granted it will be impossible to earn operating expenses, a reasonable depreciation annuity and interest on bonded indebtedness.

The telephone properties of the applicant represent a consolidation of several telephone companies heretofore operating in Santa Barbara County. In this Commission's Decisions Nos. 3747 and 3856 authorization was given for this consolidation and the new company (the present applicant) was authorized to issue certain bonds and preferred and common stock as set forth in the two decisions referred to. The effect of the consolidation was to combine the Home Telephone and Telegraph Company of Santa Barbara County, the Home Telephone and Telegraph Company of Santa Barbara, and certain property of the Pacific Telephone and Telegraph Company into one telephone property, the Santa Barbara Telephone Company—the present applicant.

Applicant operates exchanges in Santa Barbara, Goleta, Carpinteria, Santa Ynez, Guadalupe, Los Alamos, Lompoc, Montecito, Santa Maria (all in Santa Barbara County) and also an independent toll service connecting these communities and in addition connecting toll service with the Pacific Telephone and Telegraph Company and with the United States Long Distance Telephone and Telegraph Company.

There is now outstanding common stock to the par value of $80,500 and preferred stock to the par value of $350,000—a total par value of $430,500. The Pacific Telephone and Telegraph Company owns applicant's preferred stock to the par value of $276,000. First mortgage 5 per cent bonds are outstanding to the face value of $396,500.

These facts of the consolidation appear to be of importance since in my opinion, the general principles laid down by the Commission in its decisions in the consolidation proceeding should be considered in this proceeding.

Applicant, since organization has met fixed charges but has not paid any dividends on preferred or common stock. There was accumulated corporate surplus unappropriated on December 31, 1919, to the amount of $11,046.27.

1. Investment and Valuation.

The fixed capital representing the property of this company stands on the company's books (according to the annual report filed with the Commission for the year ending December 31, 1919) at $818,535.95. This sum, it developed at the hearing, does not represent either the valuation figure found by the company's engineers or the figure found by the Commission's engineers when the consolidation took effect. It

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represents rather the purchase price agreed upon by the company at the time of consolidation plus the net additions and betterments since that time.

A valuation was filed by the company at the hearing in these proceedings as of August 31, 1919, showing a total figure of $772,289.89. This figure was reached by taking the Commission's engineering department's valuation in the consolidation proceedings as of June 30, 1915 (reproduction cost less depreciation), and adding thereto undepreciated additions and betterments and then deducting retirements to August 31, 1919. The investment figure in the annual report, as also the valuation figures referred to, includes a certain amount of duplicate property resulting from the consolidation. There is not available a detailed estimate of the amount and the value of such duplication in property. It appears from the record that a portion of this duplicate property has been retired by the company since the date of consolidation or excluded from the valuation submitted by the company in this proceeding. It is apparent, however, that the greater portion of the duplicate plant is still in existence and included in the investment and valuation figures.

In order to reach an approximation of what should be considered a normal valuation figure for a plant of this kind, the Commission's engineering department's report submitted to the parties to these proceedings, and referred to above, contains a valuation estimate on a station basis. On this basis the value of the reproduction cost of this property undepreciated would come to approximately $742,000.

The Commission's engineer, Mr. Johns, also estimates that the condition of this property is the equivalent of a 70 per cent condition of its reproduction cost undepreciated on the station basis, which would correspond to a depreciated value of $520,000.

These estimates permit of an approximation of the amount of duplicate property. This amount would be approximately the difference between the reproduction cost on the station basis and the investment and valuation figures otherwise available in this proceeding.

In this matter of duplicate property the Commission in Decision No. 3747 says:

> In passing on the amount of securities which Santa Barbara Company may reasonably be authorized to issue for the properties which it is to acquire, consideration must also be given to the fact that a considerable amount of duplication exists in the properties which are to be acquired, particularly in the matter of poles. While petitioners report that the property of city company and of county company which will be rendered inoperative by reason of the consolidation has a structural value of only $6,554.38, with a net salvage value of $1,483.46, and that the property of Pacific company which is not to be sold, exclusive of toll lines, has a "structural value" of only $15,083.91, the testimony in this proceeding as well as a casual inspection of the existing properties in the city of Santa Barbara shows clearly that there is a much larger amount of duplication in the properties to be acquired by Santa Barbara company than these figures would indicate. In fact, the total duplication reported by petitioners under the

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head of poles, would seem to be only an item of $133.79 in the Carpinteria exchange. Petitioner's own testimony that it expects as soon as possible to remove the duplicate poles from the streets of Santa Barbara and the other towns affected, shows clearly the real situation. In other words, if a single telephone system were being installed to do the work which is now being done by the systems of the three existing telephone companies, a very material saving in the number and cost of poles as well as certain other items of property would unquestionably be made. We can not agree that in determining the amount of securities which shall be authorized, the amount should be issued against the structural value of the combined properties of Pacific company, city company and county company, without reference to existing duplication of property. If losses arise from this situation, they should be borne by the utilities which have created the duplication and not by the public.

The conclusion of the Commission that losses arising from duplication of plant in consolidated properties should not be entirely and permanently borne by the public, appears to me sound. The amortization of such property in a reasonable time out of earnings appears to be the best and most logical way to eliminate duplicate plant and such abnormal operating expenses as result from duplicate plant.

It seems desirable that the amount of duplicate property less its salvage value should be ascertained by applicant and by the Commission's engineers and that the amount so jointly ascertained, amortized over a period of years, should be written off applicant's capital account. Arrangements should be made by applicant to remove within a given time such duplicate plant as increases operating and maintenance expenses.

2. Revenue and Expenses.

Applicant has submitted to the Commission its revenue and expenses for the past and its estimates for the future covering the period from September 1, 1919, to August 31, 1920. The Commission's engineering department has also made an estimate for the year ending August 31, 1920.

There is a considerable variation between the estimates for 1919–1920 made by applicant and by the Commission's engineering department. The engineering department's estimate of revenue (based on present rates) is about 7 per cent higher than applicant's, while the estimate of expenses is about 16 per cent lower. There is also a large difference in the estimated depreciation allowance, the applicant asking for $58,000 and the engineering department estimating $31,000. I am satisfied that the revenues estimates of our engineer are more nearly correct than those submitted by applicant. It would seem, in fact, from the actual revenue figures for the period from September, 1919, to the present date that the engineering department's estimate is conservative.

The Commission's engineering department's expense and depreciation figures are estimated after making proper segregation between

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capital and operating accounts and making corrections for such abnormal conditions as exist by reason of deferred maintenance and unusual operating expenses resulting from the existence of duplicate property. It can not be expected that this property within the next year or two will be able to operate with what might be considered a normal maintenance and depreciation expense. If proper provision is made, however, as suggested above, for amortization of duplicate property not needed in the service, operating expenses will then tend to become normal.

The item of depreciation is estimated by the engineering department on the basis of detailed analyses made in connection with other telephone properties in this state. I am accepting this depreciation estimate for the reason, among others, that this depreciation annuity on a 6 per cent sinking fund basis will retire the entire property as estimated on the station basis valuation of $742,000 in 14½ years; on a 5 per cent sinking fund basis in 15½ years.

3. Depreciation Reserve.

The setting aside annually of an adequate depreciation fund and the proper handling of such a fund is of great importance to this company and to the telephone subscribers on this system. This is especially true in this case because of the abnormally large maintenance expenditures required by reason of the existing duplicate plant and the accumulated deferred maintenance. The applicant, since reorganization, according to the annual reports filed with the Commission, shows charges to depreciation of plant and equipment as follows:

1916	$6,600 00
1917	39,630 06
1918	21,150 69
1919	36,277 79
	$97,658 44

According to the general balance sheet, the reserve for accrued depreciation on December 31, 1919, amounted to $49,891.92. It appears, therefore, and this is borne out by the annual reports, that during the period of the reorganized company's existence, retirements and other charges to the depreciation fund have amounted to $47,766.52 (the difference between the total set aside for the years of 1916, 1917, 1918 and 1919 and $49,189.91), an average of $15,722 per annum.

All other maintenance expenses and replacement costs during that period were charged to maintenance as ordinary operating expenses.

The basis of depreciation charges in applicant's last annual report is given as follows:

Purely an arbitrary figure. Amount credited to above account during 1919 represents that portion of earnings available after paying operating expenses.

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I consider such a policy in the treatment of the depreciation fund unsound. It is the Commission's purpose to fix such rates as will allow this public utility, as all others, adequate operating expenses, a reasonable allowance for depreciation and a fair return, if the conditions are such that a fair return is possible considering the nature of the service. In the rates set up for this utility all three of these items have received proper consideration. It is apparent that operating expenses, including, as they do, compensation for employees and costs of labor and material, are a first charge on all income and must come ahead of all other charges. Next in order are taxes. The setting aside of the depreciation annuity must follow immediately after these two prior items and in the very nature of things must come ahead of fixed charges, dividends and other similar items.

The assumption that depreciation may be taken care of out of surplus and only at such times and to such an extent as, in the opinion of the utility, the surplus may permit of deductions for this purpose, rests upon a fundamental error. It is in violation of a sound public utility policy both from the standpoint of permanent good to the public utility owner and to the public utility consumer, as indicated by the Public Utilities Act in section 49, which reads in part as follows:

> * * * the Commission may, from time to time, ascertain and determine and by order fix the proper and adequate rates of depreciation of the several classes of property of each public utility. Each public utility shall conform its depreciation accounts to the rates so ascertained, determined and fixed, and shall set aside the money so provided for out of earnings and carry the same in a depreciation fund and expend such fund only for such purpose and under such rules and regulations both as to original expenditure and subsequent replacement as the Commission may prescribe. The income from investments of moneys in such fund shall likewise be carried in such fund.

The question is of much importance to the telephone users and rate payers of this utility. I am satisfied that good service can not be permanently maintained unless an actual depreciation fund is created and properly administered. The main point is not whether the annual payment into the fund as estimated by our engineering department is exactly correct or whether it is too high or too low. As a matter of fact, the amount fixed must be in the nature of an estimate and will be subject to corrections in the future as the facts which should govern are more definitely ascertained. But it is of prime importance that whatever amount is set aside be held strictly for the purposes for which it is intended and be administered in accordance with proper rules under the control of this Commission.

I recommend, therefore, that the applicant set aside, as a trust fund, in monthly installments of $2,750, a depreciation fund of $33,000 per annum to be used only for purposes of insuring against depreciation and under rules to be approved by the Commission. The applicant

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should submit to the Commission such rules governing the depreciation fund as it believes will best meet the requirements, and after these rules have been approved by the Commission, they should go into immediate effect.

4. Service.

There seems to be agreement on the part of the representatives of the various communities served by applicant that the matter of the best possible service is of much greater importance with the telephone subscriber than the matter of the lowest possible rates. Mr. C. L. Preisker, representing the city of Santa Maria, put this view in this way:

> The one thing we are particularly interested in is the service. We don't care about the price so much. So in the matter of rules and regulations, the thing we are after is to have those very strictly and carefully drawn and made so that they are almost automatic in that the company must give us service. We will pay the price. We don't object to that. In fact, we recognize that a good price has to be paid in order to enable them to give us service.

And speaking of the rate base, Mr. Preisker continues:

> In other words, if it is a question of a certain figure whether to allow them a little bit more or a little bit less, we would rather you would allow them a little bit more so that we can come at them strong when it comes to service.

The view in these communities does not differ from the view of the telephone users in the rest of the state and I am in agreement that adequate and efficient service is of paramount importance.

The applicant, in connection with this proceeding, has submitted to the Commission its tentative suggestions for rules and regulations. When these rules have been approved by the Commission, there will be incorporated with them such provisions for good service as it may be possible to formulate. It is the intention of the Commission to give particular attention to service standards in the future and to promulgate rules to that end whenever it seems desirable to do so.

It is apparent that on applicant's system there is discrimination in favor of certain communities where so-called free switching is allowed as against those paying the same rates for similar service where free switching privileges are not given. The objections to this practice are discussed quite fully in this Commission's Decision No. 5314, dealing with the consolidation of the telephone properties in Orange County. In that decision the Commission reached the conclusions that between logical exchange areas so-called free switching is a bad practice and should be abolished and that proper logical exchange areas within certain communities (not necessarily confined within political boundaries) should be established. These conclusions should be adhered to in this proceeding.

The fact appears to be established that the community interest between Santa Barbara and Montecito is such that it will be to the

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greater benefit of the service if these two towns are included in the same logical exchange area.

As regards Carpinteria, Goleta and Santa Barbara, the conditions are materially different and the community interest between these towns is not such as to require their inclusion in one exchange area. I recommend that local exchange rates be established for Carpinteria and Goleta and proper toll rates be charged for intercommunication between these two communities and between them and Santa Barbara.

5. Rates.

The rates I am recommending to the Commission are intended to meet the following requirements:

ESTIMATES FOR 1920–1921.

1. Estimated annual operating expenses and taxes (not including depreciation) based on year ending August 31, 1920	$170,000 00	
2. Depreciation annuity	33,000 00	
3. Work to comply with chapters 499 and 600	4,000 00	
Total		$207,000 00
4. Estimated gross revenue under proposed rates:		
(*a*) Exchange and miscellaneous revenue	$230,000 00	
(*b*) Toll revenue	60,000 00	
Total		$290,000 00
5. Estimated income		$ 83,000 00

Out of this estimated income, applicant is expected to amortize as rapidly as possible all existing duplicate property and also to meet such abnormal operating and maintenance expenses as result from the existence of duplicate property.

Assuming that applicant would amortize the duplicate plant at the rate of $20,000, as estimated above, and assuming normal operating conditions, it is apparent from the set-up that after the payment of bond interest there will be available a surplus permitting the payment of the preferred stock dividend of 6 per cent on all of the $350,000 outstanding preferred stock (requiring $21,000) and that there will then be available for the common stock a balance of $22,000.

It is true that a portion of the net income will be required for the next few years for the payment of abnormal maintenance and operating expenses. This condition will, however, continue to exist only so long as the duplicate plant remains in existence and the deferred maintenance is not made up. An amortization of the duplicate plant at the rate of $20,000 per annum will reduce this abnormal operating expense progressively each year and will do away with it altogether in a comparatively short time (easily within five years).

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Town	Business				Residence				
	Main line	Two party	Suburban	Extensions	Main line	Two party	Four party	Suburban	Extensions
Carpinteria	$2 50	$2 00	$3 00	$1 00	$2 00	$1 75	$1 50	$2 50	$1 00
Goleta	2 50	2 00	3 00	1 00	2 00	1 75	1 50	2 50	1 00
Guadalupe	2 50	2 00	3 00	1 00	2 00	1 75	1 50	2 50	1 00
Los Alamos	2 50	2 00	3 00	1 00	2 00	1 75	1 50	2 50	1 00
Santa Ynez	2 50	2 00	3 00	1 00	2 00	1 75	1 50	2 50	1 00
Gaviota	2 50	2 00	3 00	1 00	2 00	1 75	1 50	2 50	1 00
Las Cruces	2 50	2 00	3 00	1 00	2 00	1 75	1 50	2 50	1 00
Refugio	2 50	2 00	3 00	1 00	2 00	1 75	1 50	2 50	1 00
Lompoc	2 75	2 25	3 00	1 00	2 25	2 00	1 75	2 50	1 00
Santa Maria	2 75	2 25	3 00	1 00	2 25	2 00	1 75	2 50	1 00
Santa Barbara	3 50	2 75	3 00	1 00	2 50	2 00	1 75	2 50	1 00
Montecito	3 50	2 75	3 00	1 00	2 50	2 00	1 75	2 50	1 00

NOTE 1.—All of the above rates are for wall telephones unless otherwise noted. Desk sets are 25 cents per month extra for all classes of service, except extensions.

NOTE 2.—Rates for private branch exchange and for miscellaneous equipment not included in the above tables are to be filed with the Commission subject to its approval.

In the matter of *toll rates*, this applicant, as all other companies in this state, is at this time operating under the rates established by the federal government during the period of federal control. In its General Order No. 57, this Commission extended these rates until further order and until such time as the state-wide telephone investigation shall be disposed of. I do not recommend, therefore, any change in the toll rates on this system at this time.

By reason of the elimination of so-called free switching service between Carpinteria, Goleta and Santa Barbara, toll rates will become effective for communications between these exchanges. These rates should not exceed the lowest rates for similar service for similar distances now in effect under Order No. 2797 of the Postmaster General as extended by this Commission in General Order No. 57.

Judging the reasonableness and fairness of the proposed rates from the point of view of rates elsewhere in this state for telephone service similar to the service rendered by applicant in the various communities considered in this opinion, it will be found as a fact that they are strictly comparable and that there is no discrimination in any sense against the subscribers on this system.

5. Rules and Regulations and Primary Rate Areas.

It is my suggestion to the Commission that the present rules and regulations as continued in effect by the Commission in General Order No. 57 still continue effective until such time as a decision is rendered in the state-wide telephone cases.

Neither do I believe that any change should be made at this time in the primary rate areas as at present established.

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I recommend the following form of order:

ORDER.

Santa Barbara Telephone Company having applied to the Commission for an order establishing increased rates and asking for approval of its proposed rules and regulations; a hearing having been held, the matter having been submitted, and the Commission basing its conclusions on the foregoing opinion and finding as a fact that the rates authorized and the classes of service suggested in this opinion are just and reasonable;

It is hereby ordered, that applicant file with the Commission within thirty days of the date of this order a schedule of rates and services as outlined in the foregoing opinion. Upon approval by the Commission of the schedules so filed, applicant is authorized to put these rates into effect subject to the following conditions:

(1) Adequate and efficient telephone service shall be rendered at all times for all classes of service.

(2) Applicant shall set aside into a depreciation fund the sum of $33,000 per annum in monthly installments of $2,750 for the purpose of taking care of such renewals and replacements as shall be covered by the fund. Applicant shall file with the Commission within thirty days of the date of this order its suggestions for rules governing the functions and use of the depreciation fund and these rules shall thereafter go into effect as approved or modified by the Commission.

(3) Applicant shall arrange for the amortization out of net earnings and for the elimination of such duplicate property as is in existence at the time and as should be dispensed with to the benefit of the service and shall within thirty days of the date of this order submit to the Commission its suggestions for a plan of bringing about such amortization and elimination within a specified time.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this fifth day of May, 1920.

DECISION No. 7543.

IN THE MATTER OF THE APPLICATION OF MOORPARK FARMERS WATER COMPANY, A CORPORATION, FOR ORDER AUTHORIZING ISSUE OF STOCK AND BONDS.

Application No. 5210.

Decided May 10, 1920.

Burton A. Weyl, for Applicant.

BY THE COMMISSION.

OPINION.

In the amended application, the Railroad Commission is asked to make an order authorizing Moorpark Farmers Water Company to

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execute a deed of trust, securing the payment of $50,000 of 7 per cent twenty-five-year bonds payable January 2, 1945; issue $40,000 of said bonds, and $20,000 of stock to acquire and enlarge the water system formerly owned by Moorpark Mutual Water Company and operate such system.

A hearing was held on this application before Examiner Westover at Moorpark.

Applicant reports that Moorpark Mutual Water Company furnished water exclusively to its stockholders, but that its service has been unsatisfactory and that, therefore, the stockholders have agreed to sell the properties to applicant for $7,500 and subject to an indebtedness of $28,000 plus accrued interest. The applicant, in taking over this system, undertakes to operate as a public utility. Applicant's proposed rate is 1½ cents per inch per hour, which the record shows is satisfactory to all the farmers or owners of property in the district in which applicant intends to operate, and who are users of water.

To obtain a larger supply of water and improve its service, applicant intends to expend the following amounts for the purposes shown below:

3 wells (about 250 feet deep)	$5,018 50
3 pumps	3,537 00
3 motors	1,617 00
3 installations	450 00
600 feet 16-inch pipe to construct main line	804 00
3 8-inch gates	147 50
300 feet of 16-inch pipe to reconstruct creek crossing	402 00
Laying 900 feet of pipe	225 00
Freight estimated	125 00
Rebuilding and repairing portions of plant, estimated at	2,000 00
Total	$14,336 00

The testimony shows that the present wells produce from 100 to 125 inches of water. Through the installation of the above equipment applicant estimates that the amount of water produced can readily be increased to 250 inches, an amount sufficient to irrigate 1250 acres of orchard lands. It appears that there is a ready market for all this water, and because of such fact applicant estimates its gross and net earnings as follows:

Gross earnings, 250 inches of water for 7-months season at 1½ cents per inch per hour		$18,900 00
Estimated operating expenses:		
Engineer and office at $200 per month	$2,400 00	
Power at $300 per month	2,100 00	
Renewals and repairs	5,000 00	
Taxes and incidentals	400 00	
Total estimated operating expenses		7,900 00
Net earnings available to pay interest, sinking funds, etc.		$11,000 00

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The original cost of the plant and system of Moorpark Mutual Water Company is reported at $24,650. This includes no allowance for real estate or water rights. One of the hydraulic engineers of the Railroad Commission estimates the reproduction cost new of the plant and system, exclusive of real estate and water rights, at $34,315, and the reproduction cost new less depreciation, using straight line method of calculating depreciation, at $28,252. In arriving at the present value of the properties, the company allows $29,750 for a tract of real estate 150 by 330 feet owned in fee simple, on which 100 inches of water is developed and for water rights and right to develop and remove all water from about 100 acres of land adjoining, described as that portion of northeast one-quarter section 3, township 2 south, range 19 west, San Bernardino base and meridian, lying north of the Southern Pacific right of way. We have made no detailed examination of such alleged values and the authority herein granted should not be interpreted as finding a value of $29,750, or any other value for such lands, water rights and right to develop water.

Applicant has arranged for the sale of its bonds at 90. In its original petition, it asks authority to issue $50,000 of bonds and $25,000 of stock. In its amended petition filed April 17, 1920, it asks permission to issue $40,000 of bonds and $20,000 of stock. Applicant has filed a copy of its proposed mortgage securing the payment of $50,000 of 7 per cent bonds payable January 2, 1945. While the order herein will authorize the execution of a mortgage substantially in the same form as that filed in this proceeding, it is with the understanding that only $40,000 of said bonds be issued now and the remainder only as hereafter authorized by the Railroad Commission.

ORDER.

Moorpark Farmers Water Company having applied to the Railroad Commission for permission to issue $40,000 of bonds, $20,000 of stock, execute a mortgage, and acquire, construct and operate a public utility water plant, a public hearing having been held, and the Railroad Commission being of the opinion that the money, property or labor to be procured or paid for by the issue of the bonds and stock herein authorized is reasonably required for the purposes set forth in the order, and that this application should be granted subject to the conditions of this order;

It is hereby ordered, that Moorpark Farmers Water Company be, and it is hereby, granted authority to execute a mortgage substantially in the same form as the mortgage attached to the petition herein.

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It is hereby further ordered, that Moorpark Farmers Water Company be, and it is hereby, authorized to issue $20,000 of common stock and $40,000 of 7 per cent bonds payable January 2, 1945.

The Railroad Commission hereby declares that public convenience and necessity will require applicant to operate the water system described in the petition herein.

The authority herein granted is subject to the following conditions:

1. The stock herein authorized shall be sold by applicant for not less than 80 per cent of its par value and the bonds at not less than 90 per cent of their par value plus accrued interest.

2. The proceeds obtained from the sale of the stock and bonds shall be used by applicant to acquire the properties of Moorpark Mutual Water Company and construct the extensions, additions and betterments described in the petition herein.

3. The authority herein granted to issue bonds and stock shall not be urged before this Commission, or other body having jurisdiction, as a finding of value of the properties referred to herein for the purpose of determining rates, or for any purpose other than the purposes of this proceeding.

4. The approval herein given of said mortgage is for the purpose of this proceeding only, and an approval in so far as this Commission has jurisdiction under the terms of the Public Utilities Act, and is not intended as an approval of said mortgage as to such other legal requirements to which such mortgage may be subject.

5. Moorpark Farmers Water Company shall keep such record of the issue and sale of the stock and bonds herein authorized and of the disposition of the proceeds as will enable it to file, on or before the twenty-fifth day of each month, a verified report as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

6. The authority herein granted will not become effective until applicant has paid the fee prescribed in the Public Utilities Act.

7. The authority herein granted will apply only to such stock and bonds as may be issued on or before November 1, 1920.

Dated at San Francisco, California, this tenth day of May, 1920.

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DECISION NO. 7544.

PACIFIC RICE GROWERS ASSOCIATION

vs.

DE PUE WAREHOUSE COMPANY ET AL.

Case No. 1337.

Decided May 10, 1920.

SEASONABLE STORAGE—RICE—RATES FOR.—Agreement having been reached between complainants and defendants establishing the storage season for rice from September 1 to August 31, complaint is dismissed and defendants party to such stipulation authorized to establish, within twenty (20) days, a rate of $2 per ton per season for storage of paddy rice.

J. M. Inman and *C. L. Donohoe*, for Complainant.

C. W. Durbrow, for De Pue Warehouse Company et al.

Sanborn and Rochl, for Sacramento River Warehouse Company et al.

Chas. W. Thomas, for Woodland Warehouses et al.

Goodfellow, Eells, Moore and Orrick, by *C. J. Goodell*, for State Warehouse Company.

H. E. Bailey, for Ely's Warehouse.

DEVLIN, *Commissioner*.

OPINION.

The Pacific Rice Growers Association, complainant in this proceeding, is a cooperative association with a membership of three hundred and fifteen persons, firms and corporations engaged in producing rice in the State of California and storing the same in whole or in part in the warehouses conducted by the parties named defendants. The defendants are eighty-five in number and include practically all of the public warehouses operating in the Sacramento Valley engaged in storing rice, as well as other commodities.

Under the tariffs now in effect the storage season in the majority of the warehouses begins June 1 of each year and ends May 31 of the following year. Complainant alleges that rice is harvested during the period October 1 to and including December 31, and that because the storage of rice is commenced later than is the storage of other grains a large part of the crop remains in the warehouses after June 1 following the date of storage, thus compelling complainant's members, in a great many instances, to pay two years storage on the season's crop. Complainant contends that the storage season for rice should be from the first day of September each year to the thirty-first day of August of the following year.

In an amended complaint, filed September 23, 1919, complainant asked for an order requiring that warehouses storing rice be equipped with lights, in order that services may be rendered during the full twenty-four hours each day when necessary; also that loading devices be installed and that the warehouseman be required to furnish a

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public weighmaster's certificate giving the weight of the rice at time of removal from the warehouse.

At the final hearing it was announced by the attorneys representing complainant and defendants that an agreement would be arranged satisfactory to all of the interests. Accordingly a compromise, covered by stipulation and signed by complainant's attorneys and representatives of J. W. Charge & Son, De Pue Warehouse Company, Farmers' Cooperative Union of Butte County, Farmers Transportation Company, Farmers Warehouse Company (Grimes), Globe Grain Milling Company, Grand Island Warehouse, Grangers' Business Association, Gridley Warehouses, Griffin & Hornall, Kittrick & Hall, Maxwell Grain Storage Warehouse, J. M. Miller (Howell's Point Warehouse), Nelson Warehouse, Northern California Warehouse Company, Northern Star Mills, Sacramento River Warehouse Company, Schaad Brothers, State Warehouse Company, Sutter Basin Company, and Willows Warehouse Association, was submitted for the Commission's consideration and approval. Following is the text of the document:

STIPULATION.

It is hereby stipulated by and between the parties hereto that the complaint in the above entitled proceeding may be dismissed as to defendants mentioned below, in consideration of the following understanding being reached:

I.

It is agreed that the storage period for paddy rice shall be from September 1, in one year, to August 31, the following year, as constituting a season's storage.

II.

It is agreed that warehouses will be equipped with proper facilities and employ sufficient men to operate warehouse eighteen (18) hours per day, during four weeks of the peak of the rice harvest season, provided growers give warehousmen six (6) hours notice of intention to haul after 6 p.m.

III.

Warehousemen will weigh all shipments of rice going out of warehouse and issue weighmaster's certificate for each shipment.

IV.

Warehouses will be equipped with one piling machine for each 100,000 sacks of capacity for rice storage.

V.

Warehousemen shall make out weight tags in duplicate for each load received, delivering one copy to drayman and one copy to owner of rice stored.

VI.

Rice association, on behalf of all of its members, agrees that it will endorse application of the warehouses mentioned below, when made to the Railroad Commission, wherein the undersigned warehouses shall petition for an increase in the aggregate charge of two (2) dollars per ton to cover the service of receiving, weighing-in, piling, storage, weighing-out and loading into cars, for the season of September 1 to August 31, for paddy rice, in ordinary grain bags.

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VII.

It is further mutually agreed by and between the parties hereto that tariffs shall be filed containing rules covering the aforesaid provisions whenever and at such time as the Railroad Commission of the State of California shall enter its order permitting the undersigned warehouses to charge said rate of $2 per ton for rendering the services hereinbefore specified, and the undersigned warehouses agree that they will at once publish and make effective said tariffs providing said rules, regulations and rate upon said order being entered; and in the event of said Railroad Commission denying the application of undersigned warehouses to make said charge for said services that this stipulation shall be of no force and effect.

In view of the said stipulation, which meets and covers all of the points in dispute between the parties thereto, and in view of the fact, which is hereby found, that the terms, provisions and conditions of said stipulation are just and reasonable to the parties to this proceeding, the authority to readjust rates, rules and regulations, as provided for and agreed to in said stipulation, should be granted.

Complainant having also requested that the action be dismissed as to all of the defendants, I am of the opinion that, upon fulfillment of the conditions named in the accompanying order, the entire proceeding should be dismissed.

The following order is submitted:

ORDER.

Pacific Rice Growers Association having filed a complaint against De Pue Warehouse Company et al., public hearings having been held thereon, an agreement among interested parties having been reached as per stipulation set out in the foregoing opinion, applications having been submitted as provided therein, complainant having requested that the case be dismissed, and the Commission being fully apprised in the premises;

It is hereby ordered, that the terms of the said stipulation be and they are hereby approved and the complaint dismissed.

It is further ordered, that all defendants, parties to the said stipulation, be, and they are hereby, authorized to publish, effective twenty days after date of filing, tariffs embodying the provisions of said stipulation including a season rate of $2 per ton for storing and handling paddy rice, such season to extend from September 1 of a given year to August 31 of the year following, both dates inclusive.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this tenth day of May, 1920.

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DECISION NO. 7545.

IN THE MATTER OF THE APPLICATION OF HIGHLAND DOMESTIC WATER COMPANY FOR AUTHORITY TO INCREASE ITS WATER RATES.

Application No. 4888.

Decided May 10, 1920.

Wm. Guthrie, for Applicant.

BY THE COMMISSION.

OPINION.

This is an application of Highland Domestic Water Company for authority to increase its rates for supplying water for domestic and irrigation purposes in the community known as Highland, San Bernardino County, California. Applicant alleges that the present rates are noncompensatory and unremunerative and do not produce operating expenses, depreciation, and a fair return on the investment.

A public hearing was held in the above entitled matter before Examiner Westover at Highland on February 6, 1920, and an investigation was made by a representative of the Railroad Commission's engineering department.

At the present time water is supplied by this utility under flat and metered rates. The minimum on the flat rate service is $1 per month, which does not include baths, toilets or outside faucets, extra charges being made for these and all other uses.

The charges under the meter rate schedule are as follows:

Minimum per month for one family, $1.
First 3000 gallons, 40 cents per 1000 gallons.
3,000 to 5,000 gallons, 35 cents per 1000 gallons.
5,000 to 20,000 gallons, 30 cents per 1000 gallons.
20,000 to 50,000 gallons, 25 cents per 1000 gallons.
50,000 to 100,000 gallons, 20 cents per 1000 gallons.
100,000 and over----------15 cents per 1000 gallons.

The Highland Domestic Water Company was organized about 1898. Previous to this time the domestic water supply for this territory was obtained from open canals. Every year there was more or less typhoid fever and the water company was formed with the idea of developing a supply of pure water. A tract of land was purchased, wells sunk, pumping plant installed and a concrete reservoir with a capacity of approximately 625,000 gallons constructed. From this reservoir the water is distributed by gravity through 64,334 feet of steel pipe varying in size from one-half inch to 8 inches in diameter.

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Mr. M. E. Ready, of the Commission's engineering department, who presented an appraisal of the property of applicant, estimates the cost to have been $32,422.

A study of the books for the years 1918 and 1919 shows the following annual revenues and expenditures:

	1918	1919
Gross operating revenue	$4,690 78	$4,919 03
Operating expenses	2,107 17	2,628 96
Depreciation	347 00	347 00
Net revenue	2,236 61	1,943 07

The depreciation or replacement fund is computed by the sinking fund method.

Applicant had returned to it in 1919 a net revenue sufficient to pay interest upon the estimated cost of its system at 6 per cent, and it appears from the evidence that its business is increasing to such an extent that a slightly increased rate will produce the revenue to which it is entitled.

ORDER.

Highland Domestic Water Company having applied to this Commission for an order authorizing it to increase its rates for water, a public hearing having been held, the matter having been submitted and being now ready for decision:

It is hereby found as a fact, that the rates heretofore charged by Highland Domestic Water Company, in so far as they differ from the rates herein established, are unjust and unreasonable and that the rates herein established are just and reasonable rates.

And basing its order upon the foregoing finding of fact and upon the statements of fact contained in the opinion which precedes this order;

It is hereby ordered, that Highland Domestic Water Company be, and it is hereby, authorized to file with the Railroad Commission within twenty (20) days from the date of this order, and thereafter charge, the following meter rates for water served to its consumers:

First 5,000 gallons, 40 cents per 1000 gallons.
Next 15,000 gallons, 30 cents per 1000 gallons.
Next 30,000 gallons, 25 cents per 1000 gallons.
Next 50,000 gallons, 20 cents per 1000 gallons.
All in excess of 100,000 gallons, 15 cents per 1000 gallons.
Minimum payment, $1 per month.

Dated at San Francisco, California, this tenth day of May, 1920.

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DECISION No. 7547.

IN THE MATTER OF THE APPLICATION OF A. R. PEDDAR AND THE CITY OF DAVIS FOR AN ORDER AUTHORIZING HIM TO SELL TO THE CITY OF DAVIS, A WATER SYSTEM OWNED AND OPERATED BY HIM IN THE CITY OF DAVIS, COUNTY OF YOLO, STATE OF CALIFORNIA.

Application No. 5638.

Decided May 10, 1920.

BY THE COMMISSION.

ORDER.

A. R. Peddar, being the owner of a small domestic water system supplying the inhabitants of the Bower's addition to the town of Davisville, Yolo County, having asked authority to transfer to the city of Davis all of said water system, more particularly described in the application, and the city of Davis having joined in the application, and it appearing to the Commission that this is not a case in which a public hearing is necessary and that the application should be granted;

It is hereby ordered, that the above entitled application be, and it is hereby, granted, subject to the following conditions:

1. The authority herein granted to transfer said water system shall apply only to such transfer as may have been made on or before September 30, 1920, and a certified copy of the instrument of conveyance transferring the properties herein authorized to be transferred shall be filed by A. R. Peddar with the Railroad Commission within thirty (30) days after the date on which it is executed.

2. Within ten (10) days from the time when A. R. Peddar actually relinquishes possession and control of the properties herein authorized to be transferred, he shall file a certified statement with the Commission indicating the date on which he relinquished such possession and control.

Dated at San Francisco, California, this tenth day of May, 1920.

DECISION No. 7549.

IN THE MATTER OF THE APPLICATION OF UNION HOME TELEPHONE AND TELEGRAPH CORPORATION FOR AN INCREASE OF EXCHANGE RATES IN THE CITIES OF LONG BEACH AND SAN BERNARDINO, IN THE STATE OF CALIFORNIA, AND TERRITORY ADJACENT TO SAID CITIES NOW SERVED FROM THE EXCHANGES THEREIN.

Application No. 4817.

Decided May 10, 1920.

BY THE COMMISSION.

FIRST SUPPLEMENTAL ORDER.

Good cause appearing;

It is hereby ordered, that condition No. 3 of the order in Decision No. 7438, dated April 19, 1920, and being the condition requiring the

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setting aside of a depreciation fund, be and the same is hereby amended so as to require the first monthly installment of $3,750 to be set aside three months from the effective date of the new telephone rate schedules.

It is further ordered, that the order in Decision No. 7438 remain in full force and effect except as modified by this first supplemental order.

Dated at San Francisco, California, this tenth day of May, 1920.

DECISION NO. 7553.

IN THE MATTER OF THE APPLICATION OF BYRON-BETHANY IRRIGATION COMPANY, A CORPORATION AND PUBLIC UTILITY, TO SELL ITS PROPERTY AND PLANT TO BYRON-BETHANY IRRIGATION DISTRICT, A GOVERNMENTAL CORPORATION, AND PENDING A TRANSFER THEREUNDER TO GIVE POSSESSION OF SAID PROPERTY.

Application No. 5599.

Decided May 10, 1920.

BY THE COMMISSION.

ORDER.

Byron-Bethany Irrigation Company, a public utility water company engaged in the business of supplying water for irrigation purposes in Contra Costa County, California, having made application to the Railroad Commission as entitled above for authority to transfer said water system, more particularly described in the application herein, to the Byron-Bethany Irrigation District, and the Byron-Bethany Irrigation District having joined in said application, and it appearing to the Railroad Commission that this is not a matter in which a public hearing is necessary and that the application should be granted;

It is hereby ordered, that the above entitled application be and the same is hereby granted upon the following conditions and not otherwise:

1. The consideration given for the transfer of said public utility water system shall not be urged before this Commission or any other public body as a finding of value of said properties for rate fixing or any purpose other than the transfer herein authorized.

2. The authority herein granted to transfer said water system shall apply only to such transfer as may have been made on or before December 31, 1920, and a certified copy of the instrument of conveyance transferring the property herein authorized to be transferred shall be filed with the Commission by Byron-Bethany Irrigation District, within thirty (30) days of the date on which it is executed.

3. Within ten (10) days of the date on which Byron-Bethany Irrigation Company actually relinquishes control and possession of the

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properties herein authorized to be transferred, said company shall file a certified statement with the Commission indicating the date on which it relinquished control and possession of said properties.

Dated at San Francisco, California, this tenth day of May, 1920.

DECISION NO. 7565.

IN THE MATTER OF THE APPLICATION OF LASSEN ELECTRIC COMPANY, A CORPORATION, FOR AN ORDER AUTHORIZING THE ISSUE OF BONDS IN THE SUM OF ONE HUNDRED THOUSAND DOLLARS SECURED BY DEED OF TRUST OF ALL OF THE PROPERTIES OF SAID COMPANY.

Application No. 5591.

Decided May 10, 1920.

BOND ISSUES—INTEREST RATE ON—RATE OF RETURN.—Applicant authorized to issue $100,000 face value of 7 per cent bonds to be sold at not less than 80 on its presentation that such condition is the only method by which it can secure needed capital for necessary improvements. Authorization given with the understanding that cost of money is only one of the elements considered in fixing rates and that an excessive high interest rate is not in itself controlling in establishing a rate of return.

Pardee and Pardee, by *J. E. Pardee*, for Lassen Electric Company.

A. E. Bolton, for Red River Lumber Company.

BRUNDIGE, *Commissioner*.

OPINION.

Lassen Electric Company asks permission to execute a deed of trust to secure the payment of $100,000 of 7 per cent seven-year bonds and issue and sell the bonds at not less than 80 per cent of their face value plus accrued interest.

Applicant reports assets and liabilities as of December 31, 1919, as follows:

Assets.

Fixed capital	$74,730 52
Cash	655 05
Accounts receivable	2,049 60
Materials and supples	304 54
Prepayments	158 42
Total assets	$77,898 13

Liabilities.

Capital stock	$25,000 00
Notes payable	19,000 00
Accounts payable	41 10
Interest and taxes accrued	1,117 21
Reserve for accrued depreciation	19,082 90
Reserve for amortization of intangible capital	22 20
Corporate surplus unappropriated	13,634 72
Total liabilities	$77,898 13

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Applicant reports that J. T. Ryan, consulting engineer, found the reproduction value of its property as of August 1, 1918, to be $75,173. This amount is made up of the following items:

General capital	$26,159 00
Transmission capital	8,725 00
Telephone line	1,096 00
Distribution capital	23,186 00
Miscellaneous	3,507 00
Total structures	$62,673 00
Lands and water rights (original cost)	12,500 00
Total	$75,173 00

Applicant's reports filed with the Commission show that it had 376 consumers during 1919, 313 during 1918, and 299 during 1917. After paying operating expenses and interest on $19,000 of indebtedness, applicant for 1917 reported a surplus of $2,731.05 for 1918 a surplus of $1,948.60, and for 1919 a surplus of $3,515.

Applicant reports that its generating capacity is wholly inadequate to meet the demand for electrical energy and that such demand will be further increased as a result of the construction of a sawmill and box factory at Susanville by Fruit Growers Supply Company which, when completed, will employ from 1500 to 2000 men. The record shows that applicant's hydraulic plant has been developed to its fullest capacity and that its small gas engine plant is expensive to operate. The capacity of these two plants is from 150 to 160 kilowatts. To meet the demand for service, applicant will have to install an up to date steam plant or purchase electrical energy from other sources. The Red River Lumber Company, which operates a large mill at Westwood, is installing a hydroelectric generating plant of two units of 3000 kilowatts each. When this plant is completed it will have a surplus of about 2000 kilowatts. The lumber company is willing to sell its surplus electrical energy to applicant, provided applicant will construct a transmission line at Susanville to Westwood, a distance of about 25 miles. The cost of this line is estimated at $63,860.45. L. R. Cady, secretary and general manager of Lassen Electric Company, testified that through the construction of this line and the purchase of electrical energy from Red River Lumber Company applicant will be able to save approximately $5,000 a year in operating expenses by shutting down its gas engine plant.

To pay for the construction of the transmission line and pay off a $19,000 indebtedness, applicant asks permission to issue $100,000 of 7 per cent seven-year bonds at 80. While the sale of the bonds at so low a figure as 80 will result in an unusually high effective interest rate, it is urged that because of conditions surrounding the operation of this plant no better price can be, at this time, obtained for the bonds.

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It is no doubt understood by the owners of this property that they can expect only a reasonable return on their investment and that the cost of money is only one of the elements which the Commission considers, in fixing rates.

Applicant has to date not filed a copy of its proposed mortgage securing the payment of the $100,000 of bonds, and it will therefore not be permitted to issue any of the bonds until the Commission has authorized the execution of a mortgage securing the payment of such bonds.

I herewith submit the following form of order:

ORDER.

Lassen Electric Company having applied to the Railroad Commission for permission to execute a mortgage and to issue $100,000 of bonds, a public hearing having been held, and the Railroad Commission being of the opinion that the moneys, property or labor to be procured or paid for by the issue of such bonds is reasonably required for the purpose or purposes specified in this order, and that the expenditures for such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income;

It is hereby ordered, that Lassen Electric Company be, and it is hereby, authorized to issue $100,000 of 7 per cent seven-year bonds; provided that none of such bonds be issued until the Railroad Commission has authorized applicant to execute a mortgage or trust deed to secure the payment of such bonds.

The authority herein granted is subject to further conditions as follows:

1. The bonds herein authorized to be issued shall be sold by applicant for cash at not less than 80 per cent of their face value, plus accrued interest.

2. Of the proceeds obtained from the sale of the bonds, $19,000 shall be used by applicant to pay outstanding notes referred to in the petition herein, and the remaining $61,000 to pay in whole or in part the cost of constructing the transmission line referred to in this application and in exhibits attached to the petition.

3. Lassen Electric Company shall keep such record of the issue and sale of the bonds herein authorized and of the disposition of the proceeds as will enable it to file, on or before the twenty-fifth day of each month, a verified report as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

4. The authority herein granted will not become effective until applicant has paid the fee prescribed in the Public Utilities Act.

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5. The authority herein granted will apply only to such bonds as may be issued on or before December 31, 1920.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this tenth day of May, 1920.

DECISION No. 7567.

IN THE MATTER OF THE APPLICATION OF SOUTHERN CALIFORNIA EDISON COMPANY, A CORPORATION, FOR AUTHORITY TO ISSUE AND SELL BONDS IN THE AMOUNT OF FIVE MILLION DOLLARS FACE VALUE.

Application No. 5617.

Decided May 12, 1920.

BY THE COMMISSION.

FIRST SUPPLEMENTAL ORDER.

Whereas, the Railroad Commission, by Decision No. 7541, dated May 5, 1920, authorized Southern California Edison Company to issue and sell $5,000,000 of its general and refunding mortgage 6 per cent twenty-five-year gold bonds of the series of 1919, subject among others to the condition that the proceeds be deposited in a special fund or funds and expended only for such purposes as the Railroad Commission may authorize in a supplemental order or orders herein; and

Whereas, Southern California Edison Company having filed a supplemental petition in the above entitled matter in which it reports an expenditure of $2,383,827.85 for the acquisition and construction of properties and an expenditure of $1,977,000 to pay debentures due March 15, 1920, which it issued under the Railroad Commission's Decision No. 2213, dated March 11, 1915, and asks permission to use the proceeds obtained from the sale of the $5,000,000 of bonds to finance the expenditures to which reference has been made; and

Whereas, the Commission is of the opinion that pending a final report on applicant's expenditures, applicant may properly be permitted to use not exceeding $2,500,000 of the proceeds from the sale of the bonds to pay indebtedness or reimburse its treasury because of the aforesaid expenditures; now, therefore,

It is hereby ordered, that Southern California Edison Company be, and it is hereby, authorized to use not exceeding $2,500,000 of the proceeds obtained from the sale of bonds, the issue of which is authorized by Decision No. 7541, dated May 5, 1920, to reimburse its treasury or pay indebtedness to finance in part the expenditures for permanent extensions, additions and betterments or refund the debentures, all of

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which is referred to in applicant's first supplemental application in the above entitled matter.

It is hereby further ordered, that the order in Decision No. 7541, dated May 5, 1920, shall remain in full force and effect, except as modified by this first supplemental order.

Dated at San Francisco, California, this twelfth day of May, 1920.

DECISION No. 7568.

IN THE MATTER OF THE APPLICATION OF SAN DIEGO CONSOLIDATED GAS AND ELECTRIC COMPANY, A CORPORATION, FOR AUTHORITY TO ISSUE AND SELL FIVE HUNDRED FIFTY-FIVE THOUSAND EIGHT HUNDRED DOLLARS PAR VALUE OF STOCK.

Application No. 5416.

Decided May 13, 1920.

Chickering and Gregory, by *Allen Chickering*, for Applicant.

LOVELAND, *Commissioner*.

OPINION.

In this application, as amended, San Diego Consolidated Gas and Electric Company asks permission to issue and sell $500,000 of its 7 per cent preferred stock and $55,800 of its common or 7 per cent preferred stock to pay in part for construction expenditures incurred or to be incurred prior to December 31, 1920.

Applicant reports that it has incurred or will incur prior to December 31, 1920, expenditures on capital account in the sum of $533,600.75 which it desires to pay through the issue of stock. The $533,600.75 is arrived at by the following method of accounting:

Uncapitalized balance of construction expenditures on February 28, 1919, as shown in Decision No. 6373		$9,924 21
Actual net construction expenditures, February 28, 1919, to December 31, 1919		317,660 88
Increased working capital allowed in Decision No. 6373		86,000 00
		$413,585 09
Estimated construction expenditures, as shown in Exhibit 6 attached to the petition herein		634,125 00
Total		$1,047,710 09
Against which have been issued, under Decision No. 6272, $226,900 par value of preferred stock, proceeds from which was	$218,456 00	
Cash derived from earnings, February 28, 1919, to December 31, 1919	80,916 18	
Cash to be derived from earnings January 1, 1920, to December 31, 1920	214,737 16	
Total		514,109 34
		$533,600 75

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It was applicant's original intention to sell $555,800 of its 7 per cent preferred stock to obtain the necessary moneys to pay for the construction of extensions, additions and betterments. On May 6 it filed an amendment to the application wherein it requests permission to issue $500,000 of its preferred stock at not less than 96, and $55,800 of its common stock at not less than par, or $55,800 of its preferred stock at not less than 96. It is applicant's intention to sell some of its common stock to its employees or others already interested in its business.

I herewith submit the following form of order:

ORDER.

San Diego Consolidated Gas and Electric Company having applied to the Railroad Commission for permission to issue $555,800 of stock, a public hearing having been held, and the Commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required for the purposes specified in the order, and that such purposes are not in whole or in part reasonably chargeable to operating expense or to income;

It is hereby ordered, that San Diego Consolidated Gas and Electric Company be, and it is hereby, authorized to issue $500,000 of its 7 per cent preferred stock and common stock or additional preferred stock of the par value of $55,800.

The authority herein granted is subject to the following conditions:

1. The preferred stock herein authorized to be issued shall be sold by applicant, for cash, at not less than 96 per cent of its par value and accrued dividends and the common stock, for cash, at not less than par.

2. The proceeds obtained from the sale of the stock shall be used to pay the cost of constructing the extensions, additions and betterments referred to in this application and in the schedules attached to the petition herein, or pay indebtedness incurred on account of constructing such extensions, additions and betterments.

3. San Diego Consolidated Gas and Electric Company shall keep such record of the issue and sale of the stock herein authorized and of the disposition of the proceeds as will enable it to file, on or before the twenty-fifth day of each month, a verified report as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

4. The authority herein granted will apply only to such stock as may be issued and sold on or before December 31, 1920.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this thirteenth day of May, 1920.

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DECISION NO. 7570.

IN THE MATTER OF THE APPLICATION OF THE MIDLAND COUNTIES PUBLIC SERVICE CORPORATION FOR AUTHORITY TO INCREASE ELECTRIC RATES.

Application No. 5535.

Decided May 13, 1920.

Murray Bourne, for Applicant.

BRUNDIGE, *Commissioner*.

OPINION.

In this proceeding Midland Counties Public Service Corporation, engaged primarily in the business of distributing electricity in certain portions of Fresno, Monterey, San Luis Obispo and Santa Barbara counties, asks that the Commission establish a fair value of its electric properties as a basis for rates and that adequate and sufficient rates for electricity be authorized it. At this time, however, it confines its request to the authority to increase its rates for power supplied for oil field service to the extent of cancelling its present schedules for such service and to hereafter charge a rate of 1.4 cents per kilowatt hour.

A hearing was held in San Francisco on April 10, 1920, and although notice was served upon all consumers affected by the proposed increase for oil field service, no protestants appeared. The matter is now submitted and ready for decision.

The Commission's consideration of this proceeding will be confined at this time to that portion of applicant's request seeking authority to increase its oil field rates, and such temporary relief as is found proper herein will be granted at this time. In so far as the other issues raised by applicant do not require the immediate attention of the Commission, they will be reserved for a future hearing and findings.

Applicant is exclusively a transmission and distributing utility, obtaining its supply of energy by purchase from the San Joaquin Light and Power Corporation at Henrietta and at Betteravia, the two points being at the extreme northerly and southerly end, respectively, of its transmission line. In Decision No. 7305 in Application No. 4064, decided March 23, 1920, San Joaquin Light and Power Corporation was required to charge Midland Counties Public Service Corporation for energy delivered to it at Henrietta and Betteravia, a rate of 9 mills per kilowatt hour, and, in addition thereto, to charge Midland Counties Public Service Corporation the interest, depreciation and operating costs of the Betteravia steam plant owned and operated by San Joaquin Light and Power Corporation, which by virtue of its location and use is maintained exclusively for the benefit of Midland Counties Public Service Corporation.

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The effect of the higher charge for power purchased by applicant from San Joaquin Light and Power Corporation is to increase the rate from 7.2 mills per kilowatt hour to 10.42 mills per kilowatt hour, or a total increase of $110,000 in operating expenses for the amount of power to be supplied during the year 1920. Other than this one item, applicant shows only nominal increases in its operating expenses. The following table submitted by applicant shows a summary of its operations, revenues and expenses for the year 1919 and estimates for the year 1920.

MIDLAND COUNTIES PUBLIC SERVICE CORPORATION.

SUMMARY OF ELECTRIC OPERATIONS.

	1919	Estimated 1920
Kilowatt hours purchased	29,784,300	37,220,000
Kilowatt hours sold, total	24,575,538	30,250,000
Kilowatt hours sold to oil field service	13,045,821	17,000,000
Gross revenue (present rates)	$462,175.02	$537,800 00
Operating Expenses.		
Production (purchase of power)	$213,633 17	$255,000 00
Transmission	3,915 57	4,155 00
Distribution	37,020 75	40,020 00
Commercial	21,386 49	22,260 00
General and miscellaneous	32,634 10	30,215 00
Taxes	15,438 47	33,000 00
Total operating expenses	$324,028 55	$384,650 00
Net income	$140,836.84	$53,150 00
Depreciation		30,363 82
Balance for return		$22,786 18

If applicant's present rates were continued in effect, its income after the payment of operating expenses and depreciation would be reduced to an amount which would reflect but little return upon its investment.

Approximately 55 per cent of applicant's sales of electricity are to its oil field consumers and the present rate now charged by it for such service is less than the wholesale cost of electricity to applicant. If consideration be given to the cost of transmitting and distributing the energy supplied to its oil field consumers, the disparity between the cost and selling price of energy becomes still greater. Applicant can not continue to supply so large a proportion of its business at a low rate without serious embarrassment to its earnings. The Commission has recently established a rate of 1.4 cents per kilowatt hour for oil field service supplied by San Joaquin Light and Power Corporation and has found such to be a fair and reasonable rate for such service. The character and extent of service supplied by applicant herein to its oil field consumers is identical with that supplied by San Joaquin Light and Power Corporation, and a rate of 1.4 cents per kilowatt hour for such service is equally applicable to applicant's system as to the

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same class of service supplied by San Joaquin Light and Power Corporation. A comparison of applicant's rates for service, other than to its oil field consumers, shows that its other rates now in effect compare favorably with the rates for similar service recently authorized by the Commission to cover present increased costs of service.

For this reason I believe applicant's request to confine its rate adjustments at this time to its oil field service is entirely proper and the order herein will provide only for such adjustment. The rates charged for other classes of service do not appear to require modification at this time. However, it is the purpose of the proceeding now before us to carry out a complete investigation of applicant's entire electric business and to subsequently readjust all of its rates upon a permanent basis. Although applicant submits details of a valuation of its electric properties, we do not find such of moment in disposing of the issues immediately before us, as the proposed increase in applicant's oil field service rates will not produce in excess of a reasonable return upon the property and business of Midland Counties Public Service Corporation.

I submit the following form of order:

ORDER.

Midland Counties Public Service Corporation having applied to the Railroad Commission for authority to increase its rates and charges for oil field service, a hearing having been held, and the Commission finding that the rate hereinafter established for such service is, under present conditions, a just, fair and reasonable rate;

It is hereby ordered, that Midland Counties Public Service Corporation be, and it is hereby, authorized to cancel its electric schedules Nos. 11 to 18, inclusive, and to charge the following rate for oil field service, based upon all regular meter readings taken on and after the fifteenth day of May, 1920:

OIL FIELD SERVICE RATE.

Applicable to all power service supplied to equipment used for pumping of oil wells, operating and gathering pumps, lease line pumps and dehydrating plants in connection with the production of oil.

Territory.

Applicable to entire territory served by Midland Counties Public Service Corporation.

Rate.

1.4 cents per kilowatt hour.

Minimum charge.

$1 per installed horsepower per month.

Provided, Midland Counties Public Service Corporation shall within ten days of the date of this order file with the Railroad Commission the schedule rates herein established.

Dated at San Francisco, California, this thirteenth day of May, 1920.

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DECISION No. 7571.

IN THE MATTER OF THE APPLICATION OF CITY TRANSFER VAN AND STORAGE COMPANY FOR AUTHORITY TO TRANSFER ALL RIGHT, TITLE AND INTERESTS IN AUTO TRUCK LINE OPERATED BETWEEN LOS ANGELES AND LONG BEACH TO CITY TRANSFER AND STORAGE COMPANY, AND APPLICATION OF THE LATTER COMPANY TO TAKE OVER AND OPERATE SAID AUTO TRUCK LINE HEREAFTER.

Application No. 5511.

IN THE MATTER OF THE APPLICATION OF CITY TRANSFER AND STORAGE COMPANY, A CORPORATION, FOR AN ORDER AUTHORIZING THE ISSUANCE OF ONE THOUSAND SHARES OF CAPITAL STOCK.

Application No. 5540.

Decided May 13, 1920.

Daly and Daly, for Applicants.

BY THE COMMISSION.

OPINION.

The two above entitled applications were heard together before Examiner Gordon at Los Angeles on April 12, 1920, it being stipulated that the evidence submitted be deemed applicable to both matters so far as material. They will, therefore, be disposed of in one decision.

Under Application No. 5540, City Transfer and Storage Company, a corporation, of Long Beach, California, asks permission to issue $100,000 of common capital stock.

Under Application No. 5511, City Transfer Van and Storage Company, a copartnership, asks permission to sell and transfer to the City Transfer and Storage Company, a corporation, all of its properties heretofore employed in its business of operating a general storage warehouse and baggage business in the city of Long Beach, and its auto truck service as a common carrier between the cities of Los Angeles and Long Beach, the consideration being $60,000 of the stock of the corporation and the assumption by the corporation of the liabilities of the partnership. The evidence shows that each of the partners is to receive a proportionate number of shares in the corporation. The only change, therefore, which will result in the transfer is a change in the form of management of the business. No protests have been filed, and all of the partners joined in a request that the transfer be made

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Exhibit "A" attached to the petition in Application No. 5540 sets forth the assets and liabilities of the partnership as of February 28, 1920, as follows:

Assets.

Real estate		$25,246 75
Buildings		30,118 32
Auto trucks and equipment		36,247 90
Horses, wagons and equipment		1,272 50
Miscellaneous equipment		2,764 41
Furniture and fixtures		1,370 00
Packing material		264 85
Stores		802 40
United States bonds		50 00
Notes receivable		126 02
Accounts receivable		13,200 75
Deferred charges		1,210 39
Cash		201 15
Total assets		$112,875 44

Liabilities.

Notes payable		$43,297 66
Equipment notes	$10,847 66	
Sundry notes	950 00	
National Bank of Long Beach	14,000 00	
Long Beach Savings Bank and Trust Company	17,500 00	
Accounts payable		7,155 72
Interest accrued		306 25
Due internal revenue collector		166 04
Reserve for depreciation		1,400 00
Partnership, net worth		60,549 87
Total liabilities		$112,875 44

Exhibit "1" introduced at the hearing shows:

Partnership gross earnings for 1919 in the sum of	$115,895 99
Operating expenses, including depreciation	107,439 89
Net gain	$6,456 10

The gross earnings from the interurban freight business are reported as $57,337.28, or approximately one-half of the total gross earnings.

The partnership owns in fee simple four lots 85 feet wide by 320 feet long with the alley closed, or 300 feet long with the alley open. On these lots are two buildings: one, a two-story class "B" brick building 60 by 100 feet, another, a one-story building 85 by 90 feet. It is the intention of the corporation, if it is permitted to acquire the properties, to construct at an estimated cost of $100,000 a concrete fireproof building adjoining the two buildings. The partnership will transfer to the corporation 15 auto trucks, having a total tonnage capacity of 26¼ tons. In addition, there will be transferred to the partnership 4 trailers and 3 Ford roadsters. On the equipment there was due on February 28, 1920, the sum of $10,847.66. The corporation asks authority to issue and sell $40,000 of its stock at not less than 90, and use part of the

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proceeds to pay the balance due on the equipment, pay $25,797.66 of notes outstanding, and use the remainder to pay in part for the new building.

The evidence further shows that the public utility business of the partnership will be continued in all respects by the corporation.

ORDER.

City Transfer and Storage Company, a corporation, having applied to the Railroad Commission for permission to issue $100,000 of stock, a public hearing having been held, and the Commission being of the opinion that the money, property or labor to be procured by such issue is reasonably required by applicant, and that the expenditures for such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income; and

City Transfer Van and Storage Company, a copartnership, having applied to the Railroad Commission for authority to transfer all its properties heretofore employed in its business of operating a general storage warehouse and transfer business and auto truck service as a common carrier to the City Transfer and Storage Company, a corporation, organized for the purpose of carrying on the same public utility business, the consideration of said transfer being $60,000 of stock in said corporation, and the assumption by the corporation of the liabilities of the partnership;

And the Commission being of the opinion that the interests of the public are not in any way prejudiced by said transfer, and that the application should be granted;

It is hereby ordered, that City Transfer and Storage Company be, and it is hereby, authorized to issue $100,000 of its common capital stock.

The authority herein granted is subject to the following conditions:

1. Of the stock herein authorized, $60,000 shall be issued to City Transfer Van and Storage Company, a copartnership, in exchange for all its properties, subject to the copartnership's indebtedness;

2. Stock in the amount of $40,000 may be sold by applicant for cash at not less than 90 per cent of its par value, and not exceeding $25,790.66 of the proceeds used to pay equipment notes, sundry notes and a note due the National Bank of Long Beach, referred to in Exhibit "A" attached to the petition herein. The remainder of the proceeds shall be expended only for such purposes as the Railroad Commission may authorize in a supplemental order or orders in this proceeding;

3. City Transfer and Storage Company shall keep such record of the issue and sale of the stock herein authorized and of the disposition

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of the proceeds as will enable it to file, on or before the twenty-fifth day of each month, a verified report as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

4. The authority herein granted will apply only to such stock as may be issued on or before November 15, 1920.

It is hereby further ordered, that the City Transfer Van and Storage Company, a copartnership, be, and it is hereby, authorized to sell and transfer to the City Transfer and Storage Company, a corporation, all its properties referred to in said Application No. 5511, upon the condition that the said City Transfer and Storage Company shall continue in all respects the public utility business above referred to, heretofore operated by the said City Transfer Van and Storage Company.

The consideration at which the public utility properties are herein authorized to be transferred shall not be considered as a measure of value of said properties before this Commission or any other public body for rate-fixing or any other purposes.

Dated at San Francisco, California, this thirteenth day of May, 1920.

DECISION No. 7575.

IN THE MATTER OF THE APPLICATION OF GREAT WESTERN POWER COMPANY OF CALIFORNIA FOR AN ORDER AUTHORIZING SAID COMPANY TO DISCONTINUE DEVIATIONS FROM SCHEDULE RATES FOR STEAM SERVICE.

Application No. 5177.

Decided May 17, 1920.

CONTRACTS—STEAM HEATING SERVICE—DISCRIMINATORY RATES FOR.—Contracts between a public utility and certain of its steam heating consumers, which provide for a special low rate for steam service in consideration of the consumer also taking electric service from utility, are held to be discriminatory and in violation of section 176 of the Public Utilities Act, and applicant is directed to discontinue such practice and charge all consumers in accordance with its regular schedule of rates for such class of service.

Guy C. Earl and *Chaffee E. Hall,* for Applicant.

Arthur Joel, for Leo Bruck.

Milton A. Nathan, for Granada Hotel.

E. S. Page, for Bacon Building and St. Marks Hotel.

Alexander Bond, for Hotel Victoria Company.

BRUNDIGE, *Commissioner.*

OPINION.

Great Western Power Company of California applies herein for approval of certain schedules of rates for steam service, and for authority to charge in accordance therewith all of its noncontract consumers and all of its consumers whose contracts have expired since

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July 22, 1919. It further asks, however, that it be permitted to continue to charge certain other consumers for the remaining term of their contracts in accordance with special rates lower than the proposed standard schedules.

A hearing was held in San Francisco on January 5, 1920, at which time evidence was submitted and protests heard. Thereafter, in accordance with the stipulation, further data were filed at the request of the Commission and the Commission made its own investigation into the subject matters presented.

Great Western Power Company of California, hereinafter referred to as applicant, in connection with its business of generating and distributing electricity, supplies steam for heating service in the cities of San Francisco and Oakland. At the date hereof it supplied approximately 400 consumers with steam, of which 250 are charged in accordance with applicant's standard rates heretofore filed, known as Schedules Nos. 750 and 751, and the remainder supplied under lower rates based upon special contracts entered into prior to this Commission's jurisdiction over heat utilities.

The situation presented in this proceeding is parallel in all respects with that in Application No. 5014 of Pacific Gas and Electric Company for similar authority. The special contract rates in effect take into consideration the supply of electricity to the holders thereof. The character of applicant's business, the revenues and income therefrom, showed the same general results, in so far as concerns the small margin of profit in the business, as appeared in the application of Pacific Gas and Electric Company.

The propriety of permitting the continuance of these special contract rates in the present instance hinges upon the same considerations as in the Application No. 5014 of Pacific Gas and Electric Company and reference is hereby made to the opinion in Decision No. 7576, Application No. 5014, in which is fully set forth the considerations from which this Commission concludes that the continuance of the special contract rates is discriminatory and contrary to both the letter and spirit of the Public Utilities Act. In the present instance, as in the case of the special contract consumers of Pacific Gas and Electric Company, there has been no showing that justifies this Commission in making an exception to the prohibition of section 17 (*b*) of the Public Utilities Act.

We must, therefore, conclude, as in Application No. 5014, that all steam heating consumers of the applicant herein should hereafter be charged upon a uniform basis for heating service.

Schedules Nos. 750 and 751, heretofore filed with the Railroad Commission as the standard schedules of rates of applicant for steam

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service, which have been in effect for an extended period and which do not contemplate any increase in the standard rates for steam service, should at this time be approved. There is, however, no occasion for the separate filing of Schedule No. 751 and the charge for flat rate heating service therein set forth is covered in the schedule hereafter authorized under the paragraph on "measurement of service."

I submit the following form of order:

ORDER.

Great Western Power Company of California having applied for certain adjustments in its rates and charges for steam heating service, a public hearing having been held, and the matter being submitted and now ready for decision:

The Railroad Commission of the State of California hereby finds as a fact that the rates charged by Great Western Power Company of California for steam heating service, which are conditional upon the consumers thereof becoming or continuing as electric consumers and which are lower than the rates charged for steam heating service alone, are discriminatory and in violation of the Public Utilities Act; that the rates for steam heating service charged by Great Western Power Company of California in accordance with certain existing contracts, which differ from the standard schedule of rates herein established, are likewise discriminatory, and that the rate for steam heating service herein established is, under present conditions, a just, fair and reasonable rate.

Basing its order on the foregoing findings of fact and on the other findings of fact contained in the opinion which precedes this order, and in the opinion in Decision No. 7576 in Application No. 5014, hereinabove referred to;

It is hereby ordered, that, effective for all regular meter readings taken on or after the first day of June, 1920, Great Western Power Company of California shall charge and collect for steam heating service the following rate schedule, which shall apply to all steam heating service except to those classes of consumers to whom it may grant free or reduced rates in accordance with section 5 of General Order No. 45 of this Commission:

GREAT WESTERN POWER COMPANY OF CALIFORNIA

SCHEDULE OF STEAM HEATING RATES.

Character of service.

Steam will be supplied under this schedule for heating service.

Territory.

This rate applies in the city and county of San Francisco and in the city of Oakland, Alameda County.

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Measurement of service.

The consumption of steam will be measured by condensation meters. In such cases where the condensation can not be measured, the charge will be based upon estimated consumption of steam.

Rate.

Upon the basis of monthly consumption per meter:

For the first	20,000 pounds	$1.50 per thousand pounds
For the next	25,000 pounds	1.25 per thousand pounds
For the next	35,000 pounds	1.10 per thousand pounds
For the next	150,000 pounds	1.00 per thousand pounds
For the next	170,000 pounds	.90 per thousand pounds
For all over	400,000 pounds	.75 per thousand pounds

Minimum charge.

Monthly minimum charge of $1 per 100 square feet of direct radiation per month, but not less than $7.50 per month per meter.

Provided, Great Western Power Company of California shall, within ten days of the date of this order, file with the Railroad Commission the schedule of rates for steam heating service herein established; and further provided, Great Western Power Company of California shall file with the Railroad Commission rules and regulations for steam heating service subject to the approval of this Commission.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this seventeenth day of May, 1920.

DECISION NO. 7576.

IN THE MATTER OF THE APPLICATION OF THE PACIFIC GAS AND ELECTRIC COMPANY, A CORPORATION, FOR AN ORDER OF THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA, AUTHORIZING IT TO CHARGE AND COLLECT FROM ITS STEAM HEATING CONSUMERS IN ITS ALAMEDA COUNTY DISTRICT AND SAN FRANCISCO DISTRICT, THE ESTABLISHED RATES FOR STEAM HEATING SERVICE IN SAID DISTRICTS, AND AUTHORIZING APPLICANT TO INCREASE THE RATES OF CERTAIN CONSUMERS.

Application No. 5014.

Decided May 17, 1920.

JURISDICTION—CONTRACT RATES—STEAM HEATING SERVICE.—Contracts entered into between applicant and certain of its steam heating consumers whereby such consumers receive steam service at rates lower than applicant's schedules for such service, in consideration of their taking electric service from applicant, are held to be discriminatory and illegal on the following grounds:

(1) Section 19 of the Public Utilities Act prohibits any utility from granting or making any preference or advantage to any individual or corporation.

(2) Section 17 (*b*) prohibits the charging, collecting, etc., of any greater, less or different compensation for a commodity furnished or service rendered than the rate or charge applicable thereto as shown by tariffs or schedules on file with this Commission.

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(3) Section 17 (*b*) also prohibits the furnishing of more than one service at greater, less or different compensation than the aggregate of charges as specified in filed schedules, applicable to each of such commodities or services.

JURISDICTION—PRIVATE CONTRACTS—EXECUTED PRIOR TO LEGISLATIVE ACTION AFFECTING.—The Commission holds that private contracts for steam service at preferential rates are discriminatory and illegal and, as held by the United States Supreme Court in *Union Dry Goods Company* vs. *Georgia Public Service Commission*, 248 U. S. 372, must yield to public welfare where the latter is to be served by the exercise of jurisdiction over rates by a public body irrespective of the fact that the contracts were entered into prior to the enactment of statutes permitting regulations of the rates and service rendered under the same.

Charles P. Cutten, for Applicant.

H. B. Winkleman, J. M. Pembroke, Mrs. A. Cook and *Charles E. Taylor*, for the Apartment House Owners and Managers Association.

Albert A. Greenbaum, in propria persona.

Mrs. M. W. Creigh, for the San Francisco County Nurses Association.

D. L. Healy, for Winters and Prophet.

Charles S. Cushing, for the Bohemian Club.

E. G. Schmidell, in propria persona.

J. H. Shaw, in propria persona.

BRUNDIGE, *Commissioner.*

OPINION.

Pacific Gas and Electric Company applies herein for the approval of certain schedules of rates for steam service and the authority to charge in accordance therewith all of its noncontract consumers and all of its consumers whose contracts have expired since July 22, 1919. It further asks, however, that it be permitted to continue to charge certain other consumers in accordance with contract rates lower than the proposed standard schedules of rates. A hearing was held in San Francisco on November 24, 1919. Thereafter time was allotted to the various parties to this proceeding to file certain statements as to the authority of the Commission to permit the continuance of the special contract rates. The matter now is ready for decision.

This is the first proceeding affecting heat utilities brought before the Commission since its jurisdiction was extended by amendment to the Public Utilities Act to include heat corporations as public utilities, effective July 22, 1919.

The legislature of 1919 amended the Public Utilities Act, declaring "heat corporations" to be public utilities subject to the jurisdiction, control and regulation of this Commission. At the same time it amended section 17 (*b*) of the act so that it now reads as follows (the part appearing in capital letters constituting the new matter):

Except as in this section otherwise provided, no public utility shall charge, demand, collect or receive a greater or less or different compensation for any product or commodity furnished or to be furnished, or for any service rendered or to be rendered, than the rates, tolls, rentals and charges applicable to such product or commodity or service as specified in its schedules on file and in effect at the time, nor shall any PUBLIC UTILITY ENGAGED IN FURNISHING OR RENDERING MORE THAN ONE PRODUCT, COMMODITY OR SERVICE, CHARGE, DEMAND, COLLECT OR RECEIVE A GREATER OR LESS,

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OR DIFFERENT COMPENSATION FOR THE COLLECTIVE, COMBINED OR CONTEMPORANEOUS FURNISHING OR RENDITION OF TWO OR MORE OF SUCH PRODUCTS, COMMODITIES OR SERVICES, THAN THE AGGREGATE OF THE RATES, TOLLS, RENTALS OR CHARGES SPECIFIED IN ITS SCHEDULES ON FILE AND IN EFFECT AT THE TIME, APPLICABLE TO EACH SUCH PRODUCT, COMMODITY OR SERVICE WHEN SEPARATELY FURNISHED OR RENDERED, NOR SHALL ANY SUCH public utility refund or remit, directly or indirectly, in any manner or by any device, any portion of the rates, tolls, rentals and charges so specified, nor extend to any corporation or person any form of contract or agreement or any rule or regulation or any facility or privilege except such as are regularly and uniformly extended to all corporations and persons; *provided*, that the Commission may by rule or order establish such exceptions from the operation of this prohibition as it may consider just and reasonable as to each public utility.

Pacific Gas and Electric Company, herein referred to as applicant, is engaged, among its various utility services, in the supply of steam for heating purposes in the cities of San Francisco and Oakland. At the date hereof it supplied 360 consumers in San Francisco from its own generating station of a capacity of 1800 boiler horsepower and from three leased plants located in the St. Francis Hotel, the Humboldt Bank Building, and the Emporium Building, the capacities of which aggregate 1100 boiler horsepower. Its steam distributing system in San Francisco comprises 38,000 feet of mains. In Oakland service is supplied to 70 consumers from boilers at applicant's electric generating station through 15,000 feet of mains.

The charges for service rendered to various consumers may be analyzed as follows:

1. Schedule C fixes rates to be charged certain consumers in San Francisco for straight steam heating service.

2. Schedules A and D fix rates for certain consumers in San Francisco, the amount charged being less than that fixed by Schedule C, and contingent upon the consumer being also an electric consumer of the applicant herein.

3. Schedule B fixes rates to be charged consumers in Oakland for straight steam heating service.

4. Special contract rates applying to certain consumers in both San Francisco and Oakland, there being no regularity in the rate, but in all cases the service is conditional on the concern taking electric service and the amount charged is less than that fixed under any of the schedules above noted.

The record shows that there are 245 consumers being served under Schedules A, C and D, the majority of which are supplied under Schedule D. Fifty-five consumers are under Schedule B, and under special contract rates there are 115 in San Francisco and 15 in Oakland.

It appears that the special contracts were entered into prior to the amendment of the Public Utilities Act in 1919, whereby the jurisdiction of the Commission was extended over heating companies. It is also

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probably true that such special contracts are the result of active competition between the applicant and other public utility companies furnishing electric energy to consumers in the cities of San Francisco and Oakland. The steam heating business was apparently entered into for the purpose of extending or retaining the electric service of these competing companies by offering the service of steam heat at a very low rate upon the condition that the consumer would, in each case, agree to take electric service from the company furnishing the heating service.

It must be recognized at the outset that schedules which fix a lower rate for a combined service for heat and electricity than the aggregate of the rates in effect for each service rendered separately are contrary to the provisions of section 17 (*b*) of the Public Utilities Act as amended in 1919, and must be discontinued.

As to the special contract rates, a peculiar situation is presented. The applicant expresses a willingness to fulfill its obligations under all these contracts. Applicant further desires, as soon as each contract expires, to place the consumer thereunder upon the same basis as consumers supplied under schedules regularly filed with this Commission by the applicant, setting forth its rates for steam heating.

Unless the Commission, for good and sufficient reason, by rule or order, permits exceptions, the rates to all consumers are required to be uniform. Therefore, as to all contracts which have expired, the regular rates should be immediately placed in effect. It is unquestioned that the consumers entered into these contracts in good faith. Notwithstanding this circumstance, there appears to be good reason why these contract rates also should be superseded and the consumers placed under the regular schedules.

That private contract rates must yield to public welfare, where the latter is to be served by the exercise of jurisdiction over rates by a public body, is definitely declared by the United States Supreme Court in the case of *Union Dry Goods Company* vs. *Georgia Public Service Commission*, 248 U. S. 372, P. U. R. 1919 C, p. 60. Mr. Justice Clark in delivering the opinion of the court said:

> That private contract rights must yield to the *public welfare*, where the latter is appropriately declared and defined and the two conflict, has been often decided by this court. Thus in *Manigault* vs. *Springs*, 199 U. S. 473, 480, L. ed. 274, 278, 26 Sup. Ct. Rep. 127, it was declared that:
>
> "It is the settled law of this court that the interdiction of statutes impairing the obligation of contracts does not prevent the state from (properly) exercising such powers * * * *for the general good of the public*, though contracts previously entered into between individuals may thereby be affected." This on authority of many cases which are cited.

Furthermore it has been decided by the Supreme Court in the case of *Producers Transportation Company* vs. *Railroad Commission*, U. S. Supreme Court Adv. Ops. 1920, p. 166, wherein an order by this Com-

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mission was sustained, that the jurisdiction of the regulatory body over rates charged by a public utility would apply to service being made pursuant to a contract which, as in this case, was entered into prior to the enactment of the statute permitting such regulation. In the case last referred to the court, in citing the principle laid down in the *Union Dry Goods Company* case, added:

> That some of the contracts before mentioned were entered into before the statute was adopted or the order made, is not material.

It is clear, therefore, that this Commission has jurisdiction to prescribe rates which shall be applicable to all of the consumers of the applicant, including those now enjoying a special contract rate.

It has already been stated that the rate fixed for steam heating service under the special contracts was lower than that fixed by the regular schedule. As will appear later in this opinion, the evidence shows that the rates under the regular schedule do not now produce a reasonable return. It must therefore be concluded that the Company, in offering the special contract rates, intentionally bound itself to furnish the service at a loss, at least temporarily. This voluntary sacrifice on the part of the Company is consistent with one of two theories: Either it was made by the Company as a necessary expenditure to be charged up as development cost of its steam heating business, or it was made as an out of pocket expenditure which it believed to be necessary under competitive conditions either to retain or to extend its electrical business. Certainly no one will contend that the applicant expended this amount of money for purely philanthropic reasons.

Assuming the first proposition, namely, that the furnishing of steam heat at a loss was done with the hope of developing the steam heating business to the point where it would become a profitable enterprise, it is logical to assume that at some time the Company would seek to be reimbursed through rates sufficiently high to secure a return on its investment, including as one item thereof the cost of devoloping the business. If, at some future time, rates should be fixed on such basis, the consumers at that time would be required to carry the burden which the present holders of these preferential contracts have avoided. Under such conditions outright discrimination necessarily would result and it is clear that the contract rates should not longer be continued in effect.

If we are to assume, as the evidence seems to indicate, that the low heating rate provided in these special contracts involved a direct out of pocket loss which the applicant assumed either for the purpose of preserving or extending its electrical business under competitive conditions, there then would appear no way in which the applicant could

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recoup these losses, except in so far as the increased profits in its electrical business resulting from the larger lighting load would tend to extinguish these losses. While there apparently is no discrimination existing as between the consumers of the various classes of service supplied by this applicant—that is, the losses sustained in the heating business do not appear to have been transferred to the electrical, or gas, or water consumers served by this company—nevertheless it is clear that discrimination does exist as between the steam heat consumers themselves.

Discrimination in rates as between consumers receiving the same character of service is viewed with disfavor because of the unfair advantage which the favored consumers have over those not so favored. Section 19 of the Public Utilities Act provides:

> No public utility shall as to rates, charges, service, facilities or in any other respect, make or grant any preference or advantage to any corporation or person or subject any corporation or person to any prejudice or disadvantage.

In the present instance it is easy to understand that the owner of a building enjoying a preferential rate under one of the special contracts in question is in a better situation, so far as overhead expenses are concerned, than the owner of another building receiving the same character of steam heating service under the higher rate prescribed by the regular schedule for such service. The holder of the special contract enjoying the lower rate is given a "preference" and an "advantage." Contrasted with the holder of one of these special contracts the person compelled to pay the higher open rate suffers a "prejudice" and a "disadvantage."

Therefore, even though the applicant in this case expresses a willingness to carry out its contracts and to maintain an unprofitable business of supplying steam heat without attempting to reflect this loss in any of its rates, either as a steam heating utility or as an electric utility, still the Commission is faced with the fact that to continue these special contracts in force would be to permit the contination of discriminatory rates which are expressly prohibited by the Public Utilities Act. To permit discriminatory practices to continue would not only be contrary to the plain letter of the Public Utilities Act, but also violative of its very spirit for the reason that the chief purpose of its enactment was to put an end to discriminatory practices.

A further reason, and one which is entirely sufficient in and of itself, why the rates fixed by these special contracts should be abrogated, lies in the fact that the making of these contracts as an inducement to secure electric consumers appears to be in distinct violation of the provisions of section 17 (*b*) of the Public Utilities Act even prior to

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its amendment as above noted in 1919. Prior to such amendment, this section provided:

> (*b*) Except as in this section otherwise provided, no public utility shall charge, demand, collect or receive a greater or less or different compensation for any product or commodity furnished or to be furnished, or for any service rendered or to be rendered, than the rates, tolls, rentals and charges applicable to such product or commodity or service as specified in its schedules on file and in effect at the time, nor shall any such public utility refund or remit, directly or indirectly, in any manner or by any device, any portion of the rates, tolls, rentals and charges so specified, nor extend to any corporation or person any form of contract or agreement or any rule or regulation or any facility or privilege except such as are regularly and uniformly extended to all corporations and persons; *provided*, that the Commission may by rule or order establish such exceptions from the operation of this prohibition as it may consider just and reasonable as to each public utility.

The conclusion seems unavoidable that where a special contract for a lower rate for steam heat was offered by the applicant upon the condition that the consumer would also take electricity from the applicant constitutes the very fact that is prohibited by the latter part of the section above quoted. If not, indeed, a refund, "directly or indirectly, in any manner or by any device" of a portion of the rates, tolls or charges, it seems clear that it is an extension "to any corporation or person any form of contract or agreement" not regularly and uniformly extended to all persons.

It has been suggested that the Commission is authorized by the language of the section above quoted to establish such exceptions from the operation of the prohibition as it may consider just and reasonable as to each public utility, and that authority is thereby conferred to permit these special contracts to continue in effect until they expire by their own terms.

It may be questioned whether any justification could be found for permitting an outright violation of the prohibition of the section. There well may be exceptions contemplated by the law as amended, other and different from those urged by contract holders herein, but, suffice it to say that the evidence in this case does not disclose facts which would constitute just and reasonable grounds for an exception.

Applicant shows that its steam heating business is in no sense remunerative, that for the year ending December 31, 1919, its revenues from the sale of steam were insufficient to meet even its direct operating expenses, and that if any allowance for depreciation and return upon its investment be considered, a far greater deficit results. This is equally true of its service both in San Francisco and Oakland. For the period in question its gross revenues aggregated $312,300, and its operating expenses, including maintenance, fuel oil, taxes, general expenses, etc., amounted to $381,210, with a resulting deficit of $68,910, before taking into account depreciation and return upon its investment, which is in the neighborhood of $475,000.

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Applicant further shows that if all its consumers now supplied on special contract rates be charged in accordance with its Schedule "D" in San Francisco and Schedule "B" in Oakland, both of which it proposes to establish as the basis of charge for heating service, its revenues would be increased approximately $64,000 per annum. In other words, if the deviations in existing contracts be removed, the additional revenue would still be insufficient to show any return upon the investment and would not be sufficiently in excess of direct operating expenses to even provide a proper depreciation reserve for the facilities employed.

Referring now to the standard schedules heretofore submitted to the Railroad Commission and designated herein as Schedules "A," "C" and "D" applicable to San Francisco, and Schedule "B" applicable to Oakland, all except Schedules "B" and "C" involve the combined service of steam and electricity and must *per se* be discontinued as in violation of section 17 (*b*) of the Public Utilities Act. Pacific Gas and Electric Company proposes to establish the rates and charges set forth in Schedules "B" and "D" as a basis of charge for steam service in Oakland and San Francisco respectively. Schedule "C" does not, in my judgment constitute a fair schedule, in that it makes no recognition of a reduced rate for increased use. Upon examination of the charges proposed in Schedules "B" and "D," I find that they conform to the generally accepted requirements of a rate schedule for utility service. The proposed rates have been in effect for an extended period prior to the Commission's jurisdiction over heat utilities, and do not contemplate any increase in charges for steam service.

As has been pointed out above, the application of these schedules to the sale of steam in San Francisco and Oakland will not produce any substantial margin over and above operating expenses. We must, nevertheless, consider the comparatively low density of service, the climatic conditions precluding extensive use of steam for heating, and the value of the service rendered. While the proposed rates are not in themselves entirely remunerative, it is reasonable to expect that their continuance at this time will result in a gradual increase in this business without a proportional increase in expenses and that ultimately applicant's steam business may be made profitable.

Steam consumption is generally measured by the collection and weighing of the condensed steam in a meter. In some instances, however, the service is such that the condensed steam can not be collected and weighed. The rates herein established will be based upon meter measurements except in such cases where condensation can not be collected and measured, and in this event the charges will be based upon the estimated consumption of steam.

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I shall therefore advise that the schedules set forth in the order herein, which conform to the rates and charges of Schedules "B" and "D," hereinbefore referred to, be approved for steam heating service in the localities supplied, and accordingly I submit the following form of order:

ORDER.

Pacific Gas and Electric Company having applied to the Railroad Commission for certain adjustments in its rates and charges for steam heating service, a public hearing having been held and the matter submitted:

The Railroad Commission of the State of California hereby finds as a fact that the rates charged by Pacific Gas and Electric Company for steam heating service, which are conditional upon the consumers thereof becoming or continuing as electric consumers and which are lower than the rates charged for steam heating service alone, are discriminatory and in violation of the Public Utilities Act; that the rates for steam heating service charged by Pacific Gas and Electric Company in accordance with certain existing contracts which differ from the standard schedules of rates herein established are likewise discriminatory; and that the rates and charges for steam heating service herein established are, under present conditions, just, fair and reasonable rates.

Basing its order on the foregoing findings of fact and on the other findings of fact contained in the opinion which precedes this order;

It is hereby ordered, that, effective for all regular meter readings taken on and after the first day of June, 1920, Pacific Gas and Electric Company shall charge and collect for steam heating service the following schedule of rates, which rates shall apply to all steam heating service except to those classes of consumers to whom it may grant free or reduced rates in accordance with section 5 of General Order No. 45 of this Commission.

SCHEDULE 1.

Character of service.

Steam will be supplied under this schedule for heating service.

Territory.

This rate applies in the city and county of San Francisco.

Measurement of service.

The consumption of steam will be measured by condensation meters. In such cases where the condensation can not be measured, the charge will be based upon estimated consumption of steam.

Rate.

Upon the basis of monthly consumption per meter:

For the first 20,000 pounds	$1.50 per thousand pounds
For the next 25,000 pounds	1.25 per thousand pounds
For the next 35,000 pounds	1.10 per thousand pounds
For the next 150,000 pounds	1.00 per thousand pounds
For the next 170,000 pounds	.90 per thousand pounds
For all over 400,000 pounds	.75 per thousand pounds

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Minimum charge.

Monthly minimum charge of $1 per 100 square feet of direct radiation per month, but not less than $7.50 per month per meter.

SCHEDULE 2.

Character of service.

Steam will be supplied under this schedule for heating service.

Territory.

This rate applies in the city of Oakland, Alameda County.

Measurement of service.

The consumption of steam will be measured by condensation meters. In such cases where the condensation can not be measured, the charge will be based upon estimated consumption of steam.

Rate.

Upon the basis of monthly consumption per meter:

For the first	5,000 pounds	$1.50 per thousand pounds
For the next	15,000 pounds	1.25 per thousand pounds
For the next	25,000 pounds	1.10 per thousand pounds
For the next	25,000 pounds	1.00 per thousand pounds
For the next	130,000 pounds	.90 per thousand pounds
For all over	200,000 pounds	.75 per thousand pounds

Minimum charge.

Monthly minimum charge of $1 per 100 square feet of direct radiation per month, but not less than $7.50 per month per meter.

Provided, Pacific Gas and Electric Company shall, within ten days of the date of this order, file with the Railroad Commission the schedules of rates for steam heating service herein established; and further,

Provided, Pacific Gas and Electric Company shall file with the Railroad Commission rules and regulations for steam heating service subject to the approval of this Commission.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this seventeenth day of May, 1920.

DECISION NO. 7577.

IN THE MATTER OF THE APPLICATION OF THE FOWLER INDEPENDENT TELEPHONE COMPANY, A CORPORATION, FOR AUTHORITY TO INCREASE ITS RATES FOR A TELEPHONE SERVICE.

Application No. 4982.

Decided May 17, 1920.

J. D. Magill, for Fowler Independent Telephone Company.

BRUNDIGE, *Commissioner.*

OPINION.

In this application the Fowler Independent Telephone Company, hereinafter referred to as the company, alleges that its present rates put into effect December 27, 1913, do not yield sufficient revenue to

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pay operating expenses, depreciation and a fair return on its investment in plant.

The company filed with its application a statement of its operating revenues and expenses.

The rates at present on file with the Commission and in effect, herein referred to as the present rates, and the rates which the applicant desires with the authority of the Commission to make effective, herein referred to as the proposed rates, are as follows:

	Present rates		Proposed rates	
	Business	Residence	Business	Residence
Main line, wall	$2 50	$2 00	$3 25	$2 75
Main line, desk	2 75	2 25	3 50	3 00
Two-party, wall	2 00	1 75	2 75	2 50
Two-party, desk	2 25	2 00	3 00	2 75
Four-party, wall		1 50		2 25
Four-party, desk		1 75		2 50
Suburban, wall	1 50	1 25	2 25	2 00
Suburban, desk	1 75	1 50	2 50	2 25
Extension with bell, wall or desk	1 00	1 00	1 00	1 00
Extension without bell, wall or desk	50	50	50	50
Extension bells only	25	25	25	25
Farmers line service	60	30	60	30

Providing, that a radius of one mile from the central exchange shall be established by the applicant, within which radius exchange service shall be offered at the rates herein provided.

Mileage charges present and proposed are for exchange service (one or two-party, business, or one, two or four-party residence) beyond the exchange radius, the following charges for mileage in addition to the schedule rate for exchange service shall apply:

One-party, 50 cents per month per quarter mile or fraction thereof.
Two-party, 35 cents per month per quarter mile or fraction thereof.
Four-party, 25 cents per month per quarter mile or fraction thereof.

A public hearing was held in Fowler on December 10, 1919. It was stipulated at the hearing that the Commission through its engineering department should make whatever investigation was deemed necessary and that any and all reports of the department dealing with the valuation and with matters of operation and service should be considered in evidence in the case.

An inventory and appraisal of the applicant's property not having been submitted at or prior to the hearing it was also stipulated that it would be submitted as soon as it could be proposed and that a report on valuation would then be prepared by the Commission's engineers, which report, together with applicant's appraisal, would be considered in evidence in the proceeding. An inventory, not including an appraisal, was made and submitted as of January 1, 1920, by the

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company. The inventory as submitted was checked and prices were added by the Commission's engineers.

The reproduction cost of this property, based on historical unit prices, as of the date of the inventory January 1, 1920, and as found by the Commission's engineers, is $35,347. The above reproduction cost, less depreciation, is $22,871. The company did not submit a reproduction cost figure.

The company's annual report for 1919 shows a total fixed capital charge of $33,973.44.

At the hearing the applicant submitted evidence showing an increase in operating expenses, due to increase in salaries, wages and cost of material.

A detailed study of operating conditions and expenses made by the Commission's engineers shows that under the present rates the applicant is not earning a fair return upon its investment.

There is no protest from the applicant's patrons against an increase in rates, but it is protested that the service is poor. The applicant admits this to be the fact, but claims that its income is insufficient to pay the salaries and wages necessary to obtain competent help. The applicant is entitled to a fair return upon its investment, and in turn the patrons of the company are entitled to expect and receive service that is entirely satisfactory.

The company has been showing on its books an annual amount presumably set aside into a depreciation reserve fund. However, no such reserve fund has been set up or exists at this time. This method of carrying a depreciation reserve fund should be corrected and the Commission will insist that it be done. A depreciation annuity is allowed and the Commission will require that the depreciation reserve fund be set up and used only for the purposes for which it is created, except as may be otherwise authorized by the Commission. The Commission's engineers find that an amount set aside each year equal to four and one-tenth (4 1/10) per cent of the depreciable plant, using the Commission's reproduction cost as of January 1, 1920, plus all subsequent depreciable additions and betterments, as the basis of the plant value, will be sufficient.

It is our opinion that the following schedule of rates will yield a fair income and will constitute reasonable rates in this case. I recommend that the Commission authorize applicant to make effective a schedule of rates as follows:

	Per month	
	Business	Residence
Main line, wall	$2 75	$2 25
Two-party, wall	2 25	2 00
Four-party, wall	----	1 75
Suburban, wall	2 25	2 00
Extension with bell, wall or desk	1 00	1 00
Extension without bell, wall or desk	50	50
Extension, bell only	25	25
Farmers line service	60	30

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For desk telephones, except for extensions, 25 cents additional per month will be charged.

Providing, that a radius of one mile from the central exchange shall be established by the applicant, within which radius exchange service shall be offered at the rates herein provided.

For all classes of exchange service, not including suburban service beyond the exchange radius, the following charges for mileage in addition to the schedule rates for exchange service shall apply:

Per quarter mile or fraction thereof, per month:
Main line, $0.50.
Two-party line, $0.35.
Four-party line, $0.25.

All rules and regulations for service and service charges shall be as provided in this Commission's Decision No. 2879, decided November 5, 1915.

I recommend the following form of order:

ORDER.

Fowler Independent Telephone Company having filed with the Commission its application for an order authorizing an increase of rates, a public hearing having been held, the matter having been submitted, and the Commission basing its conclusions on the foregoing opinion and finding as a fact that the rates authorized on the classes of service enumerated in the foregoing opinion are just and reasonable;

It is hereby ordered, that applicant be and it is hereby ordered to establish and file with the Commission, within thirty days of the date of this order, a schedule of rates and services as outlined in the foregoing opinion. Applicant is authorized to put these rates into effect, subject to the following conditions:

(*a*) Adequate and efficient telephone service must be rendered at all times for all classes of service.

(*b*) A depreciation reserve annuity equal to 4/10 per cent of the depreciable portion of the reproduction cost as of January 1, 1920, plus all subsequent depreciable additions and betterments, shall be set aside in monthly installments for the purpose of maintaining the plant in good condition, and shall be used for such purposes only and as may be authorized by this Commission.

(*c*) This Commission's Decision No. 2879, decided November 5, 1915, establishing rules and regulations governing the operations of telephone utilities, shall be continued in effect in so far as they apply to this utility and be strictly observed.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this seventeenth day of May, 1920.

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DECISION NO. 7578.

IN THE MATTER OF THE PETITION OF MADERA GAS COMPANY FOR AUTHORITY TO INCREASE ITS RATES TO CONSUMERS.

Application No. 5482.

Decided May 17, 1920.

James Wakefield, George W. Kitchen, for Applicant.
E. M. Saunders, President Board of Supervisors, for Madera County.

BRUNDIGE, *Commissioner*.

OPINION.

Madera Gas Company alleges that it is forced to meet increased costs of production and distribution of gas due to recent advances in the costs of oil and labor, and asks the Railroad Commission to so fix the rates and charges for gas to its consumers that it may hereafter earn a reasonable return upon its capital invested. A public hearing was held in Madera on April 27, 1920, and the matter thereupon submitted.

Applicant is engaged in the manufacture and production of gas in the city of Madera, county of Madera, California, and is supplying about 485 consumers, the total annual sales for 1919 being 12,042,000 cubic feet. The present rates were established by Decision No. 5596 of the Railroad Commission dated July 17, 1918, and provide the following schedule of charges:

First 500 cubic feet per meter per month or less	$1 00 net.
Next 3,000 cubic feet per meter per month	1 75 per 1000 cubic feet
Next 4,500 cubic feet per meter per month	1 60 per 1000 cubic feet
Next 7,000 cubic feet per meter per month	1 40 per 1000 cubic feet
All over 15,000 cubic feet per meter per month	1 20 per 1000 cubic feet

The annual report of this utility shows that for the year 1919 its net return was but slightly in excess of 1.0 per cent upon its investment. Since the fixing of the present rates applicant has been obliged to pay a continually increasing amount for wages and has recently been subjected to an additional price for oil of 25 cents per barrel. The Commission's engineers estimate that these increases, together with a reasonable allowance for return, will result in an added cost of $0.325 per thousand cubic feet of gas sold during 1920.

The following statistics show briefly the operations of Madera Gas Company for the year 1919:

Consumers, December 31, 1919, 486.
Gas sales, 12,042,000 cubic feet.
Sales per consumer, 24,800 cubic feet.
Oil used: 3525 barrels at $1.99, $7,028.
Oil used per 1000 cubic feet sold, 12.30 gallons.
Cost of gas per 1000 cubic feet sold, $1.679.

Revenue gas sales	$21,050 00
Operating expenses	20,254 00
Net for return on investment	$796 00
Valuation, December 31, 1919	74,672 00

Rate of return, 1.065 per cent.

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A valuation of applicant's gas properties was made by the Commission's engineering department in December, 1916. The historical reproduction cost with additions and betterments to date, and estimated to June 30, 1920, is as follows:

California Railroad Commission valuation as of January 1, 1918	$69,708 02
Additions and betterments to January 1, 1919	130 18
Valuation as of January 1, 1919	$69,838 20
Additions and betterments to January 1, 1920	4,834 68
Valuation as of January 1, 1920	$74,672 88
Additions and betterments to June 30, 1920	1,184 24
Valuation as of June 30, 1920	$75,857 12
Working cash capital	3,375 00
Materials and supplies	750 00
Rate base, 1920	$79,982 12

Investigations made by this Commission, and evidence presented at the hearing, disclose that Madera Gas Company's operations are unduly burdened by excessive overhead charges to superintendence and general expenses. It is believed that a utility as small as the applicant's should conduct its business upon a more economical basis, combining the duties of the manager and superintendent. This has been considered in the expenses allowed for 1920 operations, and the present basis of charges for production, distribution and general expenses have been reduced to eliminate certain overhead charges which are not considered proper. The annuity for depreciation has been calculated at the rate of 3 per cent upon depreciable property, as contrasted with applicant's allowance of 5 per cent for the past year. The following tabulation shows the reasonable cost of service for 1920:

Cost of Service.

Production and distribution.		
Oil	$9,156 00	
Other expenses	4,300 00	
Total		$13,856 00
Commercial		2,190 00
General		2,400 00
Taxes		1,645 00
Uncollectible bills		175 00
Total		$20,266 00
Fixed charges.		
Depreciation annuity	$1,765 00	
Seven per cent return on rate base	5,600 00	
Total		7,365 00
Total cost of service		$27,631 00

Rate base as of June 30, 1920, $79,982.12.
Gas sales, 1000 cubic feet, 13,780.
Average cost of gas per 1000 cubic feet sold, $2.005.

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The rates hereinafter established should yield applicant sufficient revenue to meet the increased costs of oil, labor, materials and other proper operating expenses, and if its affairs are economically managed will permit a reasonoble return upon the established valuation of its properties. Based on the foregoing I recommend the following form of order:

ORDER.

Madera Gas Company having applied to the Railroad Commission for authority to increase its rates for gas, a hearing having been held, and the matter submitted and being now ready for decision, the Railroad Commission of the State of California hereby finds as a fact that the present rates and charges for gas of Madera Gas Company are not just and reasonable rates, in so far as they do not adequately compensate it to the extent of earning proper operating expenses and a fair return upon the reasonable valuation of its properties.

Based on the foregoing findings of fact and upon the other findings of fact contained in the opinion which precedes this order;

It is hereby ordered, that Madera Gas Company be, and is hereby, authorized to charge and collect the following schedule of rates for gas, which rates shall be applicable to all regular meter readings taken on and after the twentieth day of May, 1920, to wit:

	Gross	Net	
First 500 cubic feet per meter per month or less	$1 35	$1 25	
Next 2,500 cubic feet per meter per month	2 10	2 00	per 1000.
Next 5,000 cubic feet per meter per month	----	1 80	per 1000.
Next 7,000 cubic feet per meter per month	----	1 70	per 1000.
All over 15,000 cubic feet per meter per month	----	1 60	per 1000.

The net rate is effective if the bill is paid on or before the twelfth day of the month next succeeding that for which the bill is rendered, otherwise the gross rate is effective.

Provided, Madera Gas Company shall within ten days of the date of this order file with the Railroad Commission the schedule of rates herein established.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this seventeenth day of May, 1920.

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DECISION NO. 7579.

IN THE MATTER OF THE APPLICATION OF HOLTON INTERURBAN RAILWAY COMPANY, A RAILWAY CORPORATION OPERATING A SHORT INTERURBAN LINE IN THE COUNTY OF IMPERIAL, STATE OF CALIFORNIA, FOR AN ORDER AUTHORIZING THE APPLICANT COMPANY TO DISCONTINUE THAT PORTION OF ITS FREIGHT HAULING AND DELIVERY BUSINESS WHICH HAS HERETOFORE BEEN CARRIED ON BY MEANS OF A SPECIALLY CONSTRUCTED TRUCK OPERATING BOTH UPON THE RAILWAY AND PUBLIC HIGHWAY.

Application No. 5435.

Decided May 17, 1920.

I. B. Potter, for Applicant.

BY THE COMMISSION.

OPINION.

Holton Interurban Railway Company, a corporation, has petitioned the Railroad Commission for an order authorizing the discontinuance of a pick up and delivery freight service heretofore operated by said applicant in the communities of El Centro and Holtville in Imperial County.

A public hearing on this application was conducted by Examiner Handford at El Centro on May 11, 1920, at which time the matter was duly submitted for decision.

Applicant herein is operating an interurban railway between the city of El Centro and the city of Holtville in Imperial County, such operation being conducted for the handling of freight only, passenger business having been discontinued for some months under the authority of the Railroad Commission as contained in Decision No. 6732, Application No. 4827, decided October 2, 1919.

In connection with the less than carload shipments of freight originating at and destined to points on the line of applicant, a pick up and delivery service has been performed in the cities of Holtville and El Centro by means of a freight truck operating over the public highways. This automobile truck pick up and delivery service was originally established by the applicant during the month of July, 1917, by use of a truck equipped with combination wheels permitting operation over both the railway line of the applicant and the public highways in the cities of El Centro and Holtville. The pick up and delivery service was performed at the same rate that had heretofore existed when the freight operation of the applicant herein was confined to a station to station delivery. The original installation of this pick up and delivery service was made after informal conference with the service department of the Railroad Commission, it being understood

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that the matter was an experiment and that the applicant company desired to make such experiment with a view to increasing, if possible, the less than carload freight business between the cities of El Centro and Holtville.

Exhibits filed by applicant with the application in this proceeding and at the hearing thereon, and covering the period July, 1917, to March, 1920, both months inclusive, show the following results:

Receipts.

Year	Pounds freight	Revenue
1917	917,475	$1,093 96
1918	2,590,521	4,043 02
1919	2,985,966	5,130 83
1920	652,763	1,208 27
Totals	7,146,725	$11,476 08

Expenses.

Year	Gasoline and distillate	Labor	Other expenses	Repair	Depreciation	Total
1917	$107 20	$500 58	$31 40	$17 19	$150 00	$806 37
1918	320 84	1,663 99	210 93	1,148 91	600 00	3,679 61
1919	480 57	1,868 73	135 36	2,182 09	833 50	5,500 25
1920	211 27	511 25	68 51	1,034 05	171 60	1,996 68
	$1,119 88	$4,544 55	$446 20	$4,382 24	$1,755 10	$11,982 91
Deficit						$506 83

It is apparent that since 1918 the revenue derived from the operation of this freight truck has been conducted at a considerable loss, and the volume of patronage now accorded this method of transportation does not appear to warrant the continuance of same as the public will not be deprived of freight service between Holtville and El Centro, as such service will continue to be rendered as a "station to station" service, being handled on the steam trains of applicant company together with carload business for which steam trains are now operating. Applicant was required to make publication of the notice of hearing on this application in a newspaper of general circulation at El Centro and also was required to post notices at each station and affidavits of such publication and posting were filed at the hearing on this proceeding. Notwithstanding that public notices had been given as above, there was no appearance or evidence protesting the granting of this application.

After careful consideration of the evidence in this proceeding and the exhibits filed with the application and presented at the hearing

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thereon, we are of the opinion and find as a fact that the revenue derived from the operation of the applicant's motor truck transportation between El Centro and Holtville, including pick up and delivery service in the cities of El Centro and Holtville, does not justify the cost of operation, and that the public necessity does not require a continuance of such operation in that less than carload freight will hereafter be transported between such stations on the regular steam trains operated by applicant in connection with the conduct of its business.

ORDER.

Holton Interurban Railway Company, a corporation, having petitioned the Railroad Commission for an order authorizing the discontinuance of a motor truck transportation service between Holtville and El Centro in Imperial County, such service being conducted over the public highways in the cities of El Centro and Holtville and over the line of applicant's railway connecting such communities; a public hearing having been held, the matter having been duly submitted and the Commission being fully advised, and basing its order on the finding of fact as set forth in the foregoing opinion;

It is hereby ordered, that this application be and the same hereby is granted, the effective date of this order to be June 1, 1920. Applicant herein will be required to post notices at its freight stations at Holtville and El Centro and to advertise in a newspaper of general circulation in the communities of Holtville and El Centro at least three times and at least five days prior to the effective date of this order, notifying the public of the discontinuance of service hereby authorized.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this seventeenth day of May, 1920.

DECISION No. 7580.

IN THE MATTER OF THE APPLICATION OF TURLOCK GAS COMPANY, A CORPORATION, FOR AUTHORITY TO INCREASE ITS RATES TO CONSUMERS.

Application No. 5518.

Decided May 17, 1920.

A. A. Caldwell, for Applicant.

Wm. Graybiel, for Consumers.

BRUNDIGE, *Commissioner.*

OPINION.

Turlock Gas Company alleges that it is obliged to pay an increased price for oil of twenty-five cents per barrel, and that this and increased

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wages paid to its employees has created a financial burden upon the company which is more than it can carry under the present rates charged for gas; it therefore prays that the Railroad Commission investigate its operations and establish such rates for gas service as shall be found just and reasonable. A public hearing was held in Turlock on April 28, 1920, and the matter thereupon submitted.

Applicant is engaged in the manufacture and distribution of gas in the city of Turlock, county of Stanislaus, California, and is providing service to about 740 consumers. Its sales for the year 1919 amounted to 15,626,000 cubic feet, yielding a revenue of $26,331. The operating expenses totaled $22,660, leaving a balance of $3,670, corresponding to a return of 5.67 per cent upon the investment in the properties. The rates now charged were established by this Commission's Decision No. 5709, dated August 26, 1918, whereby the following schedule was made effective:

First 500 cubic feet per meter per month or less	$1 00 net.
Next 2,500 cubic feet per meter per month	1 70 per 1000 cubic feet
Next 4,000 cubic feet per meter per month	1 55 per 1000 cubic feet
Next 8,000 cubic feet per meter per month	1 35 per 1000 cubic feet
All over 15,000 cubic feet per meter per month	1 15 per 1000 cubic feet

Investigation shows that applicant's affairs have been managed with great economy and that the operation of its gas generating plant is reasonably efficient. Since the establishment of the above schedule of rates it has been compelled to pay an additional price of 25 cents per barrel for oil, as well as very material increases in its pay roll. These increased costs alone will result in an increase of 18.2 cents per thousand cubic feet of gas sold and an increase of 20 cents per thousand when proper allowance is made for fair return upon invested capital.

The following statistics summarize briefly the operations of Turlock Gas Company for the year 1919:

Consumers, December 31, 1919, 720.
Gas sales, 15,626,000 cubic feet.
Oil used: 4585 barrels at $1.67, $7,655.
Oil used per 1000 cubic feet gas sold, 12.32 gallons.

Revenue gas sales	$26,330 00
Operating expenses	22,660 00
Net for return on investment	$3,670 00

The valuation of applicant's properties shown by its annual reports to this Commission, and which are in accord with the figures used in its previous rate proceedings, indicate a valuation of—

January 1, 1920	$64,741 51
Additions and betterments to April 1, 1920	1,890 03
Estimated additions to June 30, 1920	600 00
Valuation as of June 30, 1920	$67,231 54
Working cash capital	4,690 00
Materials and supplies	1,000 00
Total for rate base	$72,921 54

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The following sets forth the reasonable cost of service for Turlock Gas Company for the year 1920 based upon the investigation of the Commission's engineers:

Cost of Service.

Production, oil	$12,215 00	
Production, other	3,750 00	
Total production		$15,965 00
Distribution		3,250 00
Commercial		3,400 00
General		4,150 00
Taxes (including 2 per cent city tax)		2,823 00
Uncollectible bills		125 00
Total		$29,713 00
Fixed charges:		
Depreciation	$1,867 00	
Return on investment	5,830 00	
Total fixed charges		7,697 00
Total cost of service		$37,410 00

Gas sales, thousand cubic feet, 19,483.
Average cost of gas per thousand cubic feet sold, $1.885.

At the hearing herein a protest was filed against an increase in gas rates, and it was alleged that the gas service was not satisfactory. Several consumers testified on the service rendered by applicant, and it appears that some appliance troubles have resulted from dust and other impurities carried by the gas. Applicant will be expected to take such measures as may be necessary to remedy this condition by installing filters or improving the purifying processes at its plant.

The rates hereinafter established should yield applicant sufficient revenue to meet its increased operating expenses and to earn for it a reasonable return upon the valuation of its properties.

ORDER.

Turlock Gas Company having applied to the Railroad Commission for authority to increase its rates for gas, a hearing having been held and the matter submitted and being now ready for decision, the Railroad Commission of the State of California hereby finds as a fact that the present rates and charges for gas of Turlock Gas Company are not just and reasonable rates in so far as they do not adequately compensate it to the extent of earning proper operating expenses and a fair return upon the reasonable valuation of its properties.

Based on the foregoing findings of fact and upon other findings of fact contained in the opinion which precedes this order;

It is hereby ordered, that Turlock Gas Company be, and is hereby, authorized to charge and collect the following rates for gas, which rates

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shall be applicable to all regular meter readings taken on and after the twentieth day of May, 1920, to wit:

	Gross	Net	Cu. ft.
First 500 cubic feet per meter per month or less	$1 35	$1 25	
Next 2,500 cubic feet per meter per month	2 10	2 00	per 1000
Next 4,000 cubic feet per meter per month	1 90	1 80	per 1000
Next 8,000 cubic feet per meter per month	----	1 60	per 1000
All over 15,000 cubic feet per meter per month	----	1 50	per 1000

The net rate is effective if the bill is paid at the office of the company on or before the tenth day of the month next succeeding that for which the bill is rendered. If the bill is not paid on or before this date the gross rate is effective.

Provided, Turlock Gas Company shall within ten days of the date of this order file with the Railroad Commission the schedule of rates herein established.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this seventeenth day of May, 1920.

DECISION NO. 7581.

IN THE MATTER OF THE APPLICATION OF MODESTO GAS COMPANY, A CORPORATION, ASKING THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA TO FIX ITS RATES CHARGED FOR GAS.

Application No. 5513.

Decided May 17, 1920.

Frank A. Cressey, Jr., for Applicant.
S. W. Elliott, for protesting consumers.

BRUNDIGE, *Commissioner*.

OPINION.

Modesto Gas Company alleges that it is obliged to meet greatly increased costs for oil and labor required for the manufacture and distribution of gas supplied to its consumers; that the increase of rates recently granted it by Decision No. 6973, in December, 1919, was immediately absorbed, due to a necessary increase in the number of its employees and the amount of their wages; that the city of Modesto is experiencing a very rapid growth which requires substantial extension to its system for which funds can not be raised on the present basis of earnings. Applicant therefore asks that the Railroad Commission so fix its rates and charges for gas that it may hereafter earn a reasonable return upon its invested capital. A hearing was held in Modesto on April 29, 1920, and the matter thereupon submitted.

Applicant is engaged in the manufacture and distribution of gas in the city of Modesto, county of Stanislaus, California, supplying about

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1720 consumers. Its sales for the year 1919 amounted to 55,992,000 cubic feet. The operating expenses totaled $75,355, with a revenue from gas sales of $82,810, leaving a balance of $7,455, or 3.1 per cent upon its investment. The present rates are shown by the following schedule:

First 500 cubic feet per meter per month or less	$1 00 net.
Next 2,500 cubic feet per meter per month	1 75 per 1000 cubic feet
Next 6,000 cubic feet per meter per month	1 60 per 1000 cubic feet
Next 6,000 cubic feet per meter per month	1 40 per 1000 cubic feet
All over 15,000 cubic feet per meter per month	1 20 per 1000 cubic feet

Modesto Gas Company has a contract for the purchase of oil terminating January 30, 1921, providing for delivery of 1250 barrels per month at a price of $2 per barrel at Modesto. This amount of oil will not be sufficient to meet the estimated requirements for the present year and it is expected it will be necessary to purchase 2125 barrels at market price which will result in an average oil cost of $2.04 per barrel.

The pay roll of the company has increased very materially during the past year. Because of the growth of the system it has been necessary to increase the number of employees, and also to grant material advances in their wages. The salary increases which have already been put in effect have added over $7,150 per annum to operating expenses.

The following statistics summarize briefly the operations of Modesto Gas Company for 1919 with an estimate for 1920:

	1919	Estimated 1920
Consumers, December 31	1,720	1,955
Gas sales, thousand cubic feet	55,992	63,865
Cost of oil required	$30,246 00	$34,780 00
Revenue from gas sales	$82,810 00	$114,655 00
Operating expenses	75,355 00	92,105 00
Net return	$7,455 00	$22,550 00

In Decision No. 6973 the Commission found that $185,334 represented a just and reasonable value of Modesto Gas Company's properties as of June 30, 1918. During the past year applicant has been engaged in the construction of improvements to its generating and distributing equipment, and an exhibit filed herein sets forth the revised cost of these additions as $84,532.85. In the last decision it was pointed out that these enlarged plant facilities were in excess of the immediate requirements of the business, and accordingly only one-fifth the amount of such expenditures was included in the rate base. Since the date of our previous decision the city of Modesto has shown a growth far in excess of our anticipation, and applicant's business now requires the use of a larger proportion of the above improvements. I have there-

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fore included in applicant's rate base an amount equal to one-half the cost of the new equipment as is shown in the following tabulation:

California Railroad Commission valuation as of June 30, 1918	$185,334 00
Additions and betterments, June 30, 1918 to September 1, 1919	8,686 00
Additions and betterments, September 1, 1919 to January 1, 1920	14,745 00
Valuation as of January 1, 1920	$208,765 00
Additions, plant, one-half of $84,532.85	42,266 42
Additions and betterments, January 1 to April 1, 1920	2,677 00
Work in progress	11,500 00
Total	$265,208 42
Working cash capital and materials and supplies	16,750 00
Rate base, 1920	$281,958 42

The total estimated cost of service for the year 1920 is presented in the following tabulation:

Production expense:		
Oil	$34,780 00	
Other expenses	20,033 00	
Total production		$54,813 00
Distribution		10,615 00
Commercial expense		4,660 00
General expense		7,320 00
Taxes		8,530 00
Uncollectible bills		400 00
Total		$86,338 00
Fixed charges:		
Depreciation	$ 5,767 00	
Return on rate base	22,550 00	28,317 00
Total cost of service		$114,655 00

Gas sales, thousand cubic feet, 63,000.
Average cost of gas per thousand cubic feet sold, $1.82.

The rates hereinafter established should be sufficient to enable applicant to provide for the growth of its business, to continue adequate service, and to realize a just and reasonable return upon its investment. I therefore recommend the following form of order:

ORDER.

Modesto Gas Company having applied to the Railroad Commission for authority to increase its rates for gas, a public hearing having been held and the matter submitted and now being ready for decision, the Railroad Commission of the State of California hereby finds as a fact that the present rates and charges for gas of Modesto Gas Company are not fair and reasonable, in so far as they do not adequately compensate it to the extent of earning proper operating expenses and a fair return upon the reasonable valuation of its properties, and in so far as they differ from the rates and charges hereinafter established.

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Based on the foregoing findings of fact and on the other findings of fact contained in the opinion which precedes this order;

It is hereby ordered, that Modesto Gas Company be, and it is hereby, authorized to charge and collect for gas the following rates, which rates shall be effective for all regular meter readings taken on and after the twentieth day of May, 1920, to wit:

	Gross	Net	Cubic feet
First 500 cubic feet per meter per month or less	$1 35	$1 25	
Next 2,500 cubic feet per meter per month	2 00	1 90	per 1000
Next 6,000 cubic feet per meter per month	----	1 70	per 1000
Next 6,000 cubic feet per meter per month	----	1 50	per 1000
All over 15,000 cubic feet per meter per month	----	1 30	per 1000

The net rate is effective if the bill is paid at the office of the company on or before the tenth day of the month next succeeding that for which the bill is rendered, otherwise the gross rate is effective.

Provided, Modesto Gas Company shall within ten days of the date of this order file with the Railroad Commission the schedules of rates herein established.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this seventeenth day of May, 1920.

DECISION NO. 7583.

IN THE MATTER OF THE APPLICATION OF O. F. GOODRICH, DOING BUSINESS UNDER THE FICTITIOUS NAME AND STYLE OF ANTELOPE VALLEY TELEPHONE COMPANY, FOR AN ORDER AUTHORIZING AN INCREASE IN CHARGES.

Application No. 5071.

Decided May 17, 1920.

N. B. Bachtell and *Ernest Irwin*, for Antelope Valley Telephone Company.

BRUNDIGE, *Commissioner.*

OPINION.

The Antelope Valley Telephone Company, hereinafter referred to as the company, in Application No. 5071, asks authority to increase its rates for telephone service, alleging that its present rates are inadequate and noncompensatory, due to greatly increased costs of labor and material used in the maintenance and operation of its plant.

A hearing was held in Lancaster on December 27, 1919. At that hearing the applicant presented a valuation of its property and introduced evidence as to past operating expenses and also a comparative statement of the income to be derived under the present rates and those proposed by applicant.

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An engineer of the Commission checked the quantities as shown in the company's inventory of the plant, and secured data for the preparation of an appraisal. This appraisal has now been completed and is considered as evidence in this proceeding according to a stipulation made at the hearing. The value found by both the engineer for the company and the engineer for the Commission is approximately the sum of $14,300, and represents an estimate of the investment cost.

It is our opinion that this applicant is entitled to a fair return upon the above sum of $14,300.

The gross revenue received by the company during the period December 21, 1918, to November 21, 1919, was $4,080.91. At the same rate per month, the revenue for twelve months would have been $4,452. Expenses for twelve months are estimated to have been $3,815. This includes taxes and an allowance of $644 for depreciation. This left a net income to the company of $637.

For 1920, it is estimated that operating expenses, including taxes and depreciation, will amount to $4,087. It may not be assumed that there will be any increase in revenue due to increase in business.

Therefore, it is apparent that the company is entitled to an increase in rates in order that it may earn a reasonable return upon the value of its property.

The rates now in effect and the rates proposed by the applicant are as follows:

	Present rates		Proposed rates	
	Wall	Desk	Wall	Desk
Business service—				
Main line	$2 50	$2 75	$3 00	$3 25
Two-party	2 00	2 25	2 50	2 75
Four-party	1 75	2 00	2 25	2 50
Ten-party	1 50	1 75	2 00	2 25
Extensions	1 00	1 00	----------	----------
Residence service—				
Main line	2 00	2 25	2 50	2 75
Two-party	1 75	2 00	2 25	2 50
Four-party	1 50	1 75	1 75	2 00
Ten-party	1 25	1 50	1 50	1 75
Extensions	1 00	1 00	----------	----------

In addition to the above proposed rates the applicant desires to charge for ten-party service beyond the town limits of Lancaster as follows:

Ten-party line service, under five miles, 50 cents per month additional.
Ten-party line service, over five miles, $1 per month additional.

The one, two and four-party service as proposed by the applicant is not confined to any definite area. It is our opinion that a primary

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rate area should be established and that one, two and four-party service should be offered beyond the limits of that area at mileage rates. Suburban service should also be offered to those desiring ten-party service beyond the primary rate area.

We are not advised as to the number of subscribers located within each of the suburban rate zones which applicant proposes to establish, hence the Commission's engineers are unable to estimate the amount of revenue that might be expected under applicant's proposed rates.

I recommend that the Commission order the company to offer the following classes of service and authorize the following rates:

	Per month Business	Residence
Main line, wall	$2 75	$2 25
Two-party line, wall	2 25	2 00
Four-party line, wall	2 00	1 75
Ten-party line, wall	1 50	1 25
Suburban line, wall	2 25	2 00
Extension sets	1 00	1 00

Desk telephones are 25 cents additional per month on all classes of service except extensions.

The primary rate area is bounded by a circle, whose center is the central office and whose radius is one-half mile.

Beyond the primary rate area mileage charges apply for each quarter mile, or fraction thereof as follows:

One-party line, $0.50 per month.
Two-party line, .35 per month.
Four-party line, .25 per month.

All service rules and regulations now in effect and not affected by this opinion shall remain as formerly.

It is estimated that the revenue that may be expected from these rates with the present number of subscribers, together with the revenue from toll service, is the sum of $5,227. It is our opinion that this will provide a fair return to the applicant upon an investment of $14,300.

In regard to depreciation, I am of the opinion that the sum collected from the subscribers for this purpose should be set aside in a fund and so held that the money will be available when renewals are necessary, and that this fund should be used for no other purpose unless authorized by the Commission.

I recommend the following form of order:

ORDER.

Antelope Valley Telephone Company having filed with the Commission its application for an increase in rates, a hearing having been held, the matter having been submitted, and the Commission, basing its conclusions on the foregoing opinion, finding as a fact that the rates authorized and the classes of service prescribed in this order are just and reasonable;

It is hereby ordered, that the applicant is authorized to establish and file with the Commission within thirty days of the date of this order a schedule of rates and services as outlined in the foregoing opinion.

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Applicant is authorized to put these rates into effect subject to the following conditions:

(*a*) Adequate and efficient telephone service must be rendered for all classes of service.

(*b*) A depreciation reserve of $648 per annum in installments of $54 per month shall be set aside in a special fund for the purpose of maintaining the plant in good condition and shall be used for such purpose only, or as may be authorized by the Commission.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this seventeenth day of May, 1920.

DECISION NO. 7585.

IN THE MATTER OF THE ESTABLISHMENT OF CROSSING GATES AT THE SANTA FE CROSSING, PASADENA AVENUE AND AVENUE SIXTY-ONE, LOS ANGELES.

Case No. 1439.

Decided May 17, 1920.

GRADE CROSSINGS—PROTECTION OF.—Upon informal complaint of a number of residents adjacent to the crossing of the tracks of Santa Fe Railway and Pasadena avenue at Avenue Sixty-one in Los Angeles, the Commission institutes a formal investigation upon its own initiative and after investigation determines that the existing protection, consisting of two automatic wigwag signals, is insufficient, and directs that the Santa Fe Railway install crossing gates within a period of three months.

M. W. Reed, for Atchison, Topeka and Santa Fe Railway Company.

D. M. Cuthbert, for Highland Park Chamber of Commerce.

F. A. Lorentz, for Board of Public Utilities of the city of Los Angeles.

BRUNDIGE, *Commissioner*.

OPINION.

This is a proceeding instituted by the Commission, on its own initiative, when it became evident that adjustment of an informal complaint (No. 13810) could not be made informally. This complaint, filed October 5, 1917, by Highland Park Chamber of Commerce, drew attention to several accidents at the grade crossing of the tracks of Atchison, Topeka and Santa Fe Railway Company and Pasadena avenue, at Avenue Sixty-one, Los Angeles, and asked the Commission to order the installation of crossing gates as additional and necessary protection to the public. The railway objected to the installation of gates. Thereafter the United States Railroad Administration assumed control of the railway, and, although negotiations by conference and correspondence were carried on with representatives of the railway, the United States Railroad Administration, the city of Los Angeles, and the applicant, the matter remained unsettled.

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Following a fatal accident at this crossing, the complainant, on November 16, 1918, renewed its informal complaint. The Commission's engineering department investigated the matter, worked out a location of the gates located on "Islands" in Pasadena avenue, as shown in red on Railroad Commission's Exhibit "A," and the Commission, on March 3, 1919, informally directed the railway to install the gates. The railway obtained a permit from the board of public works to locate the gates according to this plan and ordered the special gate mechanisms necessary for the long gate arms. Due to delay in installation, because of non-receipt of the mechanisms, the Commission, on June 4, 1919, directed that human flagmen be assigned to this crossing, in addition to the two automatic flagmen already in service.

A further delay occurred, however, when the board of public works of the city of Los Angeles, having jurisdiction over the streets of the city, refused permission to the installation as proposed and, in order to satisfy the objections of the city authorities, a new scheme of gate installation was worked out.

A suggestion of the railway company against the installation of gates and the substitute of an additional automatic flagman for the gates met with vigorous protest from the complainants, and the Commission then issued an order to show cause why formal proceedings should not be instituted and an order entered.

A public hearing was held in Los Angeles on May 7, 1919, at which the railway, the complainant, and the board of public utilities of the city of Los Angeles were represented. No objection was made to conducting the formal investigation.

The railway offered in evidence the opinion of its signal supervisor that an additional automatic flagman, located as shown on Exhibit "A," offered equal protection to crossing gates. It was agreed that gates are out of use when broken, whereas automatic flagmen are free from this objectionable feature.

The applicant offered in evidence the facts that there had been several fatal accidents at this crossing, and the opinions of five old residents of the neighborhood that the crossing was dangerous and that an additional automatic flagman, as proposed by the railway, would not offer sufficient protection, and that crossing gates were necessary. Mr. Cuthbert stated his organization comprised about eighty people, and Mr. W. R. Myers, a witness, representing the Garvanza Improvement Association, stated that his organization had several hundred members.

Assistant engineer H. G. Weeks, of the Commission's engineering department, testified that traffic studies at this point on May 5, 1920, showed that approximately five thousand vehicles per day crossed the

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railway's tracks; that, in the light of his experience and knowledge of many traffic studies on other grade crossings in Los Angeles, this crossing was considered as a very busy crossing; that it was dangerous and in need of additional protection. He testified, further, that the opinion of the chief engineer of the Commission's engineering department was that the crossing was dangerous and that crossing gates were necessary.

It appears that the questions involved are: Is additional protection necessary, and, if so, of what form and in what location?

The evidence introduced has convinced me that additional protection is necessary at this crossing. There was no dispute on this point, and I may point out that the railway, while objecting to gates, offered an additional automatic flagman in lieu thereof. As to the form of protection, the fact seems to me conclusive that fatal accidents have occurred at this point, even with two automatic flagmen installed. I am personally familiar with this crossing and have driven across it many times. The fact that the railway is located on a rather steep grade, down-grade toward Los Angeles, is of importance, as trains bound in this direction make relatively little noise, and I am not convinced that an additional automatic flagman will offer sufficient protection

The evidence introduced by the railway and by the Commission's engineering department was to the effect that crossing gates should be located as close to the track as possible. Mr. Cuthbert testified that in his opinion the location of the gates was of secondary importance; that, primarily, what the people he represented wanted was crossing gates. Since, in the opinion of those of railway experience, the gates should be close to the crossing, and since Mr. Cuthbert stated that the location was of secondary import, the location of gates as shown in green on Exhibit "A" appears to be too far from the crossing and should not be recommended.

At the conference between the Commission's and the railway's engineers on February 16, 1920, a location for the gates, as shown in yellow on Exhibit "A," was worked out. Witness for the railway stated that it was physically possible to install the gates in this location but stated that, in his opinion, the gates were too far from the crossing. Mr. Weeks, of the Commission's engineering department, stated that while the location in yellow was not as good as that shown in red, there was, in his judgment, very little difference between the red and yellow locations, as in the latter the gates would not be too far from the track. The views of this witness appear sound and I am convinced that the location of the gates, as shown in yellow on Exhibit "A," is the best one.

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I submit the following form of order:

ORDER.

A public hearing having been held in the above entitled proceeding, the matter having been duly submitted, and the Commission being fully advised;

It is hereby ordered, that Atchison, Topeka and Santa Fe Railway Company, Coast Lines, proceed at once to install crossing gates and to complete the installation not later than three months from the date of this order, at its crossing of Pasadena avenue, at Avenue Sixty-one, Los Angeles, in the location shown in yellow color on Railroad Commission's Exhibit "A," filed in these proceedings and made a part hereof.

The Commission reserves the right to make such further orders relative to the location, construction, operation, maintenance and protection of said crossing as to it may seem right and proper, and to revoke its permission if, in its judgment, the public convenience and necessity demand such action.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this seventeenth day of May, 1920.

DECISION No. 7586.

VICTOR ZITTO AND JOHN S. ZITTO

vs.

HAINES CANYON WATER COMPANY, A CORPORATION.

Case No. 1372.

Decided May 17, 1920.

Len Claiborne, for Complainants.
R. T. Quinn, for Defendant.

BRUNDIGE, *Commissioner.*

OPINION.

Complainants in the above entitled matter are the owners of certain property in Tujunga, California, namely lot No. 232, Western Empire Tract, sheet No. 2, which property, it is alleged by them, is situate within the territory served by the water system of Haines Canyon Water Company, defendant herein.

In this proceeding complainants allege that heretofore they have made demands upon said defendant to furnish water for irrigation purposes on the property in question, and that defendant has refused such service, claiming an insufficiency of water.

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Defendant, in its answer, alleges that at the time request was made for such service, it was confronted with a shortage of water for irrigation purposes, but in the meantime, it has installed additional pumps and equipment and is in position to supply complainant with the necessary water for irrigation.

I recommend the following order:

ORDER.

Victor Zitto and John S. Zitto having filed formal complaint with the Railroad Commission against Haines Canyon Water Company as outlined above, a public hearing having been held, the matter having been submitted, and being now ready for decision:

It is hereby found as a fact that complainants herein are entitled to receive water from Haines Canyon Water Company for irrigation purposes on lot No. 232 of Western Empire Tract.

And basing its order upon the foregoing finding of fact and upon the other statements of fact contained in the opinion which precedes this order;

It is hereby ordered, that Haines Canyon Water Company be and it is hereby directed to serve water for the irrigation of said property under its rates, rules and regulations for service now on file with this Commission within thirty days of the date hereof.

It is hereby further ordered, that upon the installation of such service Haines Canyon Water Company shall file a certified statement with the Railroad Commission indicating the date upon which said service was initiated.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this seventeenth day of May, 1920.

DECISION No. 7587.

BUTTE COUNTY WATER USERS ASSOCIATION, A CORPORATION, AND A. J. LOFGREN

vs.

SUTTER BUTTE CANAL COMPANY, A CORPORATION.

Case No. 1431.

Decided May 17, 1920.

BY THE COMMISSION.

OPINION AND ORDER DENYING REHEARING.

After fully considering the application for rehearing filed herein May 10, 1920, the Commission is of the opinion that it has not erred

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in any of its material findings and that no new matters are suggested in the application which would justify a modification or reversal of the decision as to which rehearing is sought.

In addition to and independently of other grounds on which the decision was based, the provisions of section 6 of chapter 80, Statutes of 1913, are conclusive of the issue presented. This statutory provision clearly requires that as between all "consumers" who have voluntarily been admitted by the utility to participate in its supply of water, no priority or preference shall be shown, and in case of shortage the available supply shall be apportioned ratably among all consumers.

The evidence shows and the Commission found as a fact that in September, 1919, a binding contract was entered into between the Sutter Butte Canal Company and the owners of the 14,400 acres of land in Sutter County, whose right to receive water is questioned by plaintiffs, whereby the utility became obligated to deliver water to these lands as soon as the necessary canals should be constructed for that purpose. Payments were made by the landowners and the construction work was done. Furthermore, it was shown that the utility had in times past actually supplied water to a portion of these lands by means of a certain drainage canal or slough.

The status of these landowners has become established. They are "consumers" within the meaning of that term as used in the statute above referred to. Therefore aside from the other grounds for the decision, referred to in the application for rehearing, the Commission must conclude that it is the duty of the Sutter Butte Canal Company to serve without preference all its consumers including the owners of these lands in Sutter County. The provisions of chapter 80, Statutes 1913, admit of no other conclusion.

The application for rehearing is hereby denied.

Dated at San Francisco, California, this seventeenth day of May, 1920.

DECISION No. 7593.

IN THE MATTER OF THE APPLICATION OF THE MACLAY RANCHO WATER COMPANY, A CORPORATION, TO EXECUTE AN AGREEMENT TO LEASE AND SUBSEQUENTLY TO SELL TO THE CITY OF SAN FERNANDO, AND THE APPLICATION OF THE CITY OF SAN FERNANDO TO EXECUTE AN AGREEMENT TO PURCHASE, THE WATER SYSTEM NOW BEING OPERATED IN THE CITY OF SAN FERNANDO, COUNTY OF LOS ANGELES, CALIFORNIA.

Application No. 5665.
Decided May 17, 1920.

BY THE COMMISSION.

ORDER.

Application having been made to the Railroad Commission, as entitled above, for authority to transfer certain public utility water property in

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accordance with the terms of a certain agreement attached to said application, the property which it is desired to transfer being more particularly described in said indenture; and it appearing to the Commission that this is not a matter in which a public hearing is necessary and that the application should be granted;

It is hereby ordered, that the application herein be and the same is hereby granted, subject to the following conditions:

1. The consideration given for the transfer of said public utility water system shall not be urged before this Commission or any other public body as a finding of value of said properties for rate fixing or any purpose other than the transfer herein authorized.

2. The authority herein granted to transfer said water system shall apply only to such transfer as may have been made on or before December 31, 1920, and a certified copy of the instrument of conveyance transferring the property herein authorized to be transferred shall be filed by the city of San Fernando with the Railroad Commission within thirty days of the date on which it is executed.

3. Within ten days of the date on which Maclay Rancho Water Company actually relinquishes control and possession of the properties herein authorized to be transferred, a statement shall be filed by said company with the Railroad Commission, indicating the date on which such control and possession was actually relinquished.

Dated at San Francisco, California, this seventeenth day of May, 1920.

DECISION NO. 7594.

IN THE MATTER OF THE APPLICATION OF F. N. FULLER AND A. L. FULLER FOR PERMISSION TO SELL AND TRANSFER CERTAIN REAL AND PERSONAL PROPERTY, SITUATE IN THE TOWNSITE OF LAS FLORES, COUNTY OF TEHAMA, STATE OF CALIFORNIA, AND KNOWN AS THE LAS FLORES WATER WORKS.

Application No. 5331.

Decided May 17, 1920.

BY THE COMMISSION.

ORDER.

Application having been made to the Railroad Commission as entitled above, and there being attached to said application a petition of Henry Stroing, Rosa E. Stroing, Harry L. Stroing and James O. Stroing for authority to purchase said property more particularly described in the application herein, and it appearing to the Commission that this is not a matter in which a public hearing is necessary and that the application should be granted;

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It is hereby ordered, that the application herein be and the same is hereby granted, subject to the following conditions:

1. The consideration given for the transfer of said public utility water system shall not be urged before this Commission or any other public body as a finding of value of said properties for rate fixing or any purpose other than the transfer herein authorized.

2. The authority herein granted to transfer said water system shall apply only to such transfer as may have been made on or before December 31, 1920, and a certified copy of the instrument of conveyance transferring the property herein authorized to be transferred shall be filed with the Railroad Commission by the purchasers herein within thirty days of the date on which it is executed.

3. Within ten days of the date on which F. N. Fuller and A. L. Fuller actually relinquish control and possession of the properties herein authorized to be transferred, a statement shall be filed by them with the Railroad Commission indicating the date on which such control and possession was actually relinquished.

Dated at San Francisco, California, this seventeenth day of May, 1920.

DECISION No. 7596.

IN THE MATTER OF THE APPLICATION OF CANNERS WAREHOUSE COMPANY, A CORPORATION, FOR ORDER AUTHORIZING THE ISSUE OF CERTAIN SHARES OF ITS STOCK.

Application No. 5661.

Decided May 17, 1920.

Goldman and Altman, by *John C. Altman*, for Applicant.

BRUNDIGE, *Commissioner.*

OPINION.

Canners Warehouse Company asks permission to issue at par three shares ($300) of its common capital stock for the purpose of placing itself in a position to operate a warehouse business.

Applicant was organized on or about April 23, 1920, and is authorized by its articles of incorporation, among other things, to conduct, maintain and operate public warehouses. It intends to operate a warehouse at Hayward, Alameda County, and reports that it has made arrangements to lease floor space from the California Conserving Company, which operates a canning plant at Hayward. The record shows that the California Conserving Company has caused applicant corporation to be organized and that the main purpose to be accomplished through the organization of a separate corporation for the purpose of conducting a warehouse business is the issue of negotiable warehouse receipts. Although applicant undertakes to do a general warehouse

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business, it intends to particularly engage in the public warehousing of canned goods, bottled goods and canners' supplies.

I herewith submit the following form of order:

ORDER.

Canners Warehouse Company having applied to the Railroad Commission to issue three (3) shares of stock, a public hearing having been held, and the Commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required for the purpose specified in this order and that the expenditures for such purpose are not in whole or in part reasonably chargeable to operating expenses or to income;

It is hereby ordered, that Canners Warehouse Company be, and it is hereby, authorized to issue and sell on or before October 1, 1920, for cash at not less than par three (3) shares of its common capital stock and use the proceeds to pay organization expenses and acquire properties necessary to enable it to conduct a public warehouse business;

Provided, that applicant will keep such record of the issue and sale of the stock herein authorized and of the disposition of the proceeds as will enable it to file, on or before the twenty-fifth day of each month, a verified report as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this seventeenth day of May, 1920.

DECISION No. 7598.

IN THE MATTER OF THE APPLICATION OF WESTERN STATES GAS AND ELECTRIC COMPANY, A CORPORATION, FOR AN ORDER AUTHORIZING THE ISSUE OF PREFERRED STOCK OF THE PAR VALUE OF ONE HUNDRED SEVENTY-EIGHT THOUSAND DOLLARS.

Application No. 3374.

Decided May 17, 1920.

BY THE COMMISSION.

FIFTH SUPPLEMENTAL ORDER.

Whereas, the Railroad Commission, by Decision No. 5100, dated February 4, 1918, authorized Western States Gas and Electric Company to issue $178,000 of its 7 per cent preferred capital stock and to use the proceeds from the sale of the stock to pay current indebtedness as from time to time authorized by the Commission; and

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Whereas, the Railroad Commission has heretofore authorized expenditures of $140,996.97 of said proceeds; and

Whereas, applicant in its fifth supplemental petition filed May 6, 1920, in this proceeding, reports that it has on hand from the sale of said preferred stock, $25,047.33; and

Whereas, applicant reports that it has expended during February, 1920, for the purpose of constructing extensions, additions and betterments to its plant, the sum of $43,513.68; that the Commission has never authorized the use of proceeds from the sale of stock, bonds or notes to pay such construction expenditures; that such construction expenditures represent proper additions to capital account and that therefore applicant should be permitted to use the $25,047.33 to reimburse its treasury for the amounts expended on construction and the payment of obligations incurred in connection therewith; and

Whereas, the engineering department of the Commission finds that applicant's reported expenditures are proper and reasonable, and it appearing to the Railroad Commission that applicant's request should be granted; now, therefore,

It is hereby ordered, that Western States Gas and Electric Company be, and it is hereby, authorized to use $25,047.33 obtained from the sale of preferred stock, the issue of which was authorized by Decision No. 5100, dated February 4, 1918, to reimburse its treasury on account of the construction of extensions, additions and betterments to plant reported in Exhibit 1 attached to the fifth supplemental petition herein, and the payment of obligations incurred in connection therewith.

It is hereby further ordered, that the order in Decision No. 5100, dated February 4, 1918, as amended, shall remain in full force and effect, except as modified by the fifth supplemental order.

Dated at San Francisco, California, this seventeenth day of May, 1920.

DECISION No. 7599.

IN THE MATTER OF THE APPLICATION OF FRANK BERTSCH AND SARAH J. PARROTT, COPARTNERS, DOING BUSINESS UNDER THE FIRM NAME AND STYLE OF LOLETA WATER WORKS, FOR AN ORDER INCREASING ITS RATES AND CHARGES FOR WATER.

Application No. 5294.
Decided May 18, 1920.

Frank Bertsch, in propria persona.

LOVELAND, *Commissioner.*

OPINION.

Frank Bertsch and Sarah J. Parrott, copartners, operating under the name and style of Loleta Water Works, and engaged in the business of supplying and distributing water for domestic use in and in the

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vicinity of the town of Loleta, Humboldt County, California, have made application to the Railroad Commission as entitled above, for authority to increase the rates and charges for water served by them, it being alleged that the revenue derived from the present rates is insufficient to yield maintenance and operating charges and a fair return on the investment.

A valuation of the property of Loleta Water Works was submitted by Mr. Bertsch, based upon present prices of labor and materials, in the amount of $18,993.85, and an estimate of the investment in the property was submitted by the Commission's engineers. The prices of material and labor as of the period of installation of the various structures and pipe lines was used, and an estimated cost new on above basis was found to be $11,114, and a cost less depreciation of $8,887. An amount of $450 paid by Mr. Bertsch for an abstract of title to reservoir and spring land should be included, thus increasing the above amounts to $11,564 and $9,337, respectively.

The records of the company show that the average annual revenue is approximately $946, and the maintenance and operating expenses total approximately $402 annually. However, no amount is provided in the latter figure for depreciation or compensation for management of the system. It would seem fair that $20 a month be allowed as compensation for management, and that a depreciation or replacement fund be allowed, which, computed on a 6 per cent sinking fund basis, provides $187 annually for this item.

The rates at present in effect were established in the early days of the company, and no specific provision was made for gardens and other uses. These rates are as follows:

Present rates.

$1.00 per month for each residence.
$1.00 per month for hotels.
$1.50 per month for barber shops.
$1.50 per month for farm houses, including water for stock.
.50 per month for blacksmith shops.

It appears that Mr. Bertsch does not desire to establish a meter rate and install meters at this time, and that a different form of flat rate would more equitably distribute the charges among the consumers. However, we desire to call applicant's attention to the fact that it is impossible to establish a schedule of unmeasured rates whereby the burden of maintaining a plant of this character is equitably distributed among the various consumers in proportion to their use of water. The benefit to be derived from a metered system is not only an equitable distribution of the charges, but is also a means whereby the water supply can be conserved, good service rendered and operating expenses reduced. The community served by Loleta Water Works is growing, and additional consumers will increase the revenue without materially

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increasing the investment. Because of the probable increase of consumers and the limited supply of water under this system, it will be necessary to either conserve the present supply to the utmost or provide additional wells and pumping equipment. We recommend that applicant proceed with some systematic program for metering its entire system.

The schedule of flat rates established in the following order is designed to produce an increased annual income and will provide charges for certain uses of water not heretofore specifically set out.

ORDER.

Application having been made to the Railroad Commission as entitled above, a public hearing having been held, and the Commission being fully apprised in the premises;

It is hereby found as a fact, that the present rate schedule of Loleta Water Works, in so far as it differs from the rate schedule herein set out, is unjust and unreasonable, and that the rate schedule herein established is just and reasonable. And basing its order on the foregoing finding of fact and upon the further statements of fact contained in the opinion which precedes this order;

It is hereby ordered, that Loleta Water Works be and it is hereby authorized to file with the Railroad Commission within twenty (20) days from the date of this order, and thereafter charge, the following rates for water served to its consumers:

New rates.

For residences of not more than five rooms occupied by single families	$1 00
For each additional room	10
Private bathtubs, each	10
Private toilets, each	15
Private garage, one automobile	25
Each additional automobile	25
For hotels and lodging houses, in addition to the family rate, for each room with a water tap	20
For each room without water tap	10
For restaurant or dining room in connection therewith	2 00
For small stores	1 00
For large stores or warehouses	1 50
For rooms on second and third stories occupied as offices, for each room with water tap	25
For barber shops, with one chair and one bathtub	1 50
For each additional chair	25
For each additional bathtub	25
For urinals, bathtubs, toilets, either public or in hotels or barber shops or schools	25
For drug stores	1 00
For soda fountains in addition to drug store rate	1 50
For blacksmith shops	50
For photograph galleries	2 00
For bakeries	1 00
For butcher shops	1 00
For irrigation of lawns, gardens and shrubs for 1000 square feet, charge during the summer months	10
For public halls and lodge rooms	1 00

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For private stables for one horse or cow, including water for washing vehicles	25
For each additional horse or cow	05
For schools per pupil based upon an average attendance	04

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this eighteenth day of May, 1920.

DECISION No. 7602.

IN THE MATTER OF THE APPLICATION OF SOUTHWESTERN GAS COMPANY FOR AUTHORITY TO INCREASE RATES.

Application No. 5557.

Decided May 18, 1920.

Claude H. Webber, for Applicant.
O. T. Ensley for City of Hemet.

BY THE COMMISSION.

OPINION.

Southwestern Gas Company alleges that its operating expenses are such that it is unable to earn a reasonable return upon its invested capital under its existing rates. The recent increased cost of oil further increases the costs of its operations, and it now asks the Railroad Commission to adjust its rates. A public hearing was held in Hemet on May 8, 1920, before Examiner Westover, and the matter thereupon submitted.

Applicant is engaged in the manufacture and distribution of gas in the cities of Hemet and San Jacinto, Riverside County, California, and is providing service to about 350 consumers. During the year 1919 Southwestern Gas Company sold 6,882,000 cubic feet of gas, from which it realized a gross revenue of $14,265. Its operating expenses, exclusive of bond interest and depreciation, amounted to $11,429, leaving a balance of $2,836 for depreciation, bond interest, and return upon the investment. It appears that increased operating expenses for the year 1920, together with a fair allowance for return and depreciation, will total $6,610 in excess of the production, distribution, commercial and general expenses incurred in the year 1919, thus requiring an increase in the gross revenue of $3,775, or 55 cents per thousand cubic feet of gas sold. The operating expenses of applicant are peculiarly high, due to the small size of its plant, the high cost of oil, and necessity of compressing a considerable portion of the gas supplied. The rates now charged were established September 10, 1918, by Decision No. 5866, and averaged during the past year $2.07 per 1000 cubic feet sold.

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The valuation approved in the previous rate proceeding of this utility showed an approximate figure of $40,000, to which about $1,650 has been since added in betterments, bringing the present rate base to $41,650. Although these figures have not been established by a detailed appraisal, by comparison with other similar properties they appear to represent a reasonable basis for rate-fixing.

The rates hereinafter established should yield applicant sufficient revenue to meet its increased operating expenses, and to provide a fair return upon the reasonable value of its properties.

ORDER.

Southwestern Gas Company having applied to the Railroad Commission for authority to increase its gas rates, a hearing having been held, the matter submitted, and being now ready for decision, the Railroad Commission of the State of California hereby finds as a fact that the present rates and charges for gas of Southwestern Gas Company are not just and reasonable rates, in so far as they do not adequately compensate it to the extent of earning proper operating expenses and a fair return upon a reasonable valuation of its properties.

Based on the foregoing findings of fact;

It is hereby ordered, that Southwestern Gas Company be and it is hereby authorized to charge and collect the following rates for gas, effective for all regular meter readings taken on and after May 20, 1920, in the towns of Hemet and San Jacinto and adjacent territory:

	Gross	Net	
First 400 cubic feet or less per meter per month	$1 60	$1 50	
Next 2,600 cubic feet per meter per month	2 70	2 60	per 1000 cubic feet
Next 5,000 cubic feet per meter per month	----	2 30	per 1000 cubic feet
Next 7,000 cubic feet per meter per month	----	2 00	per 1000 cubic feet
All over 15,000 cubic feet per meter per month	----	1 80	per 1000 cubic feet

The net rate is effective if the bill is paid at the office of the company on or before the tenth day of the month next succeeding that for which the bill is rendered; otherwise the gross rate is effective.

Provided, Southwestern Gas Company shall within ten days of the date of this order file with the Railroad Commission the schedule of rates herein established.

Dated at San Francisco, California, this eighteenth day of May, 1920.

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DECISION NO. 7604.

IN THE MATTER OF THE APPLICATION OF MOUNTAIN SPRINGS WATER COMPANY, A CORPORATION, FOR AN ORDER AUTHORIZING IT TO DISCONTINUE ITS SERVICE AS A PUBLIC UTILITY.

Application No. 5147.

Decided May 22, 1920.

Edw. Hohfeld, for Applicant.
A. H. Fletcher, in propria persona.
J. B. Wright, in propria persona.
Otis Mick, in propria persona.
John Brooks, in propria persona.

BY THE COMMISSION.

OPINION.

In Decision No. 6906, in the above entitled proceeding, the applicant, Mountain Springs Water Company, was authorized to discontinue service as a public utility water company on the following conditions:

(1) Applicant shall file with this Commission a statement releasing it from the service of water, said statement to be signed by all consumers affected by such discontinuance.

(2) Applicant shall not discontinue the service of water to consumers until such time as service is supplied from another source.

Applicant filed with this Commission the statement required by condition (1), signed by all but four consumers. It is shown that each of these consumers is attached to the system of another utility water company, which utility in turn avers that it is ready and able to serve each of them, naming them specifically. Correspondence with the four objectors indicated that they persisted in their position and that others desired to withdraw their consent to the discontinuance of service by applicant. It was, therefore, decided that a public hearing should be held that the matter might be fully presented.

A public hearing was held at Maricopa before Examiner Satterwhite on April 20, 1920. At that time all protestants were given an opportunity to explain their grounds of objection. None of the reasons presented appear of sufficient importance to require this utility to continue operations. Showing was made that all consumers can and will be reasonably served by another utility, and justice would be served by granting applicant's plea.

ORDER.

The Mountain Springs Water Company having made application for permission to discontinue service of water to its consumers in and in the vicinity of Maricopa, Kern County, a public hearing having been held, and the Commission being fully informed in the matter;

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It is hereby found as a fact that the discontinuance of service by Mountain Springs Water Company will not inflict a hardship upon its consumers and no valid reason appearing for denying the application; therefore,

Basing its order upon the above finding of fact and upon the further findings of fact in the opinion preceding this order;

It is hereby ordered, that the Mountain Springs Water Company be and it hereby is authorized to discontinue service to its consumers in and in the vicinity of Maricopa, Kern County.

It is further ordered, that said Mountain Springs Water Company file with this Commission within ten days from the date of final discontinuance of service a statement of such discontinuance.

Dated at San Francisco, California, this twenty-second day of May, 1920.

DECISION No. 7605.

IN THE MATTER OF THE APPLICATION OF THE CLAREMONT DOMESTIC WATER COMPANY FOR AN ORDER AUTHORIZING THE ISSUE AND SALE OF TWENTY-NINE THOUSAND NINE HUNDRED FIFTY DOLLARS OF ITS CAPITAL STOCK TO PRODUCE FUNDS TO PAY OUTSTANDING OBLIGATIONS.

Application No. 5597.

Decided May 24, 1920.

George S. Sumner and *L. F. Gillette*, for Applicant.

LOVELAND, *Commissioner.*

OPINION.

Claremont Domestic Water Company asks permission to issue and sell at not less than par $29,950 of its common capital stock to pay outstanding indebtedness.

The Railroad Commission by Decision No. 624, dated April 29, 1913, authorized Claremont Domestic Water Company to issue $70,000 of its stock to acquire the properties of Citizens Light and Water Company and assume the payment of that company's outstanding indebtedness of approximately $8,500. By Decision No. 2168, dated February 24, 1915, the Commission authorized applicant to issue a note or notes of the aggregate face value of not exceeding $20,000 and use $8,500 to refund outstanding indebtedness and $11,500 of the proceeds to pay for new construction.

Reports filed with the Commission show that applicant has issued the $70,000 of stock and $18,000 of notes.

In Exhibit "A," applicant reports that it has expended for extensions, additions and betterments to its plant from 1915 to May 1, 1920, the

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sum of $31,709.78, and that on May 1, 1920, it had an outstanding indebtedness of $30,010, which includes the $18,000 of notes mentioned above. The record shows that in order to pay for the construction of extensions, additions and betterments reported in Exhibit "A," applicant increased its indebtedness by the sum of $21,010 and invested earnings in the amount of $10,699.78. On account of the investment of earnings, applicant may properly be permitted to issue its stock for the purpose of reimbursing its treasury and paying indebtedness.

I herewith submit the following form of order:

ORDER.

Claremont Domestic Water Company having applied to the Railroad Commission for permission to issue $29,950 of stock, a public hearing having been held, and the Commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required for the purpose or purposes specified in this order, and that the expenditures for such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income;

It is hereby ordered, that Claremont Domestic Water Company be and it is hereby authorized to issue and sell, on or before December 31, 1920, at not less than par, $29,950 of its common capital stock; provided, that applicant will use not exceeding $10,699.78 of the proceeds to reimburse its treasury on account of earnings invested in extensions, additions and betterments to its plant, and after such reimbursement use the $10,699.78, together with the remainder of the proceeds obtained from the sale of this stock, to pay indebtedness reported in Exhibit "A"; and

Provided, further, that applicant will keep such record of the issue and sale of the stock herein authorized and of the disposition of the proceeds as will enable it to file, on or before the twenty-fifth day of each month, a verified report as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-fourth day of May, 1920.

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DECISION No. 7608.

IN THE MATTER OF THE APPLICATION OF ISABEL L. STINE, WIDOW, HENSLEY-GREEN COMPANY, A CORPORATION, AND THE HUNTINGTON PARK REALTY COMPANY, A CORPORATION, FOR PERMISSION TO SELL AND PURCHASE THE WATER WORKS SYSTEMS AND PLANTS SUPPLYING WATER TO THE CITY OF SAN BRUNO, COUNTY OF SAN MATEO, STATE OF CALIFORNIA.

Application No. 5073.

IN THE MATTER OF THE APPLICATION OF HUNTINGTON PARK REALTY COMPANY FOR PERMISSION TO FILE A NEW AND REVISED SCHEDULE OF WATER RATES IN THE CITY OF SAN BRUNO, COUNTY OF SAN MATEO, STATE OF CALIFORNIA.

Application No. 5074.

Decided May 24, 1920.

W. H. Humphreys, for all Applicants.

J. F. Davis, City Attorney, for City of San Bruno.

C. L. Rockhill, for Fifth Addition Improvement Club.

J. P. Sullivan and *Geo. G. Hughes*, for Chamber of Commerce of San Bruno.

BY THE COMMISSION.

OPINION.

Isabel L. Stine and Hensley-Green Company, in Application No. 5073, apply for authority to transfer to Huntington Park Realty Company the water system heretofore operated under the name of San Bruno Water Company and supplying that portion of San Bruno, San Mateo County, known as San Bruno Park, first, third, fourth and fifth additions; also to transfer to the same company the water system in what is known as Belle Air Park, another subdivision of San Bruno.

Huntington Park Realty Company joins in the above application, and in Application No. 5074 seeks authority to revise its schedule of water rates charged consumers of the system previously operated by it in Huntington Park, a subdivision of San Bruno, and the systems being acquired.

Public hearings upon said applications were conducted by Examiner Westover at San Bruno, at which by stipulation both applications were consolidated for hearing and decision.

All of the applicants herein were engaged in subdividing and selling real estate in San Bruno. The systems referred to were constructed as an incident to the development and sale of said subdivisions.

On June 21, 1919, Hensley-Green Company transferred its water system without authority from the Commission to Huntington Park Realty Company for a consideration of $7,166.47. Prior thereto it had conveyed all of its real property to the latter company. By deed dated February 20, 1919, Mrs. Stine transferred all her real property located

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in San Bruno to Huntington Park Realty Company, together with the water system serving that part of San Bruno, known as Belle Air Park, also without authority of this Commission. That part of the consideration agreed upon as representing the water system, was $17,237.

Since acquiring the properties referred to, Huntington Park Realty Company has expended $5,975.83 in additions and betterments, consisting principally of meters. The three systems have been operated as one for a number of months. They now supply about 509 domestic services, of which about 302 are metered. These services are scattered over a large and irregularly shaped area. Heretofore different rates have been charged in the different subdivisions. This has led to considerable confusion in the matter of adjusting and collecting rates. It is clear from the testimony that the three systems should be operated as one, and that the Huntington Park Realty Company is able and willing to furnish better service than has been furnished in the past to those served by the system sought to be transferred.

Applicant presented no appraisal or engineering testimony but left the question of appraisal or rate base to the Commission's engineers.

Mr. R. E. Child, one of the Commission's assistant hydraulic engineers, estimated the original cost of the consolidated properties at $54,685, the annuity for replacements at $925 and the expense of maintenance and operation for the year 1920 at $5,402. The consolidated system is admittedly largely overbuilt. Present consumers should not be required to pay rates sufficient to produce a full return on the estimated investment. Applicant suggested a return of 6 per cent on the estimated cost found by Mr. Child. Under all the circumstances it is considered fair to treat $35,000 of the estimated cost as that portion of the investment upon which present consumers should provide an interest return.

The annual charges thus found are:

Return on $35,000 at 8 per cent	$2,800 00
Maintenance and operation	5,402 00
Annuity for replacements	925 00
Total annual charges	$9,127 00

Records of the revenue derived from operation for eleven months of 1919 were available, showing a total of $5,516.23. On this basis the total gross revenue for the entire year would be approximately $6,100. It is apparent, therefore, that the rates should not only be adjusted and harmonized, but also increased, if the company is to be placed in a position to render adequate service.

No records of water use by applicant's consumers is available. It is therefore necessary to base the estimate of income that will be produced by the rates established herein upon use of water in similar localities.

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Basing the estimate of income upon the data of water use submitted by the Commission's engineers at the hearing, it appears that the rates set forth in the following order will produce the above annual charges.

Complaints were made of poor pressure, air in the pipes, faulty meter readings, and inequality of rates. With the improvements already installed and those in contemplation by the company, with unified management and the uniform rates herein provided, it is believed that these causes of complaint will be eliminated. All one-inch pipe in the consolidated system classed as mains and serving more than one consumer should be replaced with pipes not less than two inches in diameter. Part of this work has been done. Some of the dead ends in the distributing system have recently been cross-connected. This work should be continued until there is good circulation throughout the consolidated system. The meters should be read at regular intervals and bills promptly rendered. The estimate of operating expenses allows for sufficient efficient help to accomplish the above results.

ORDER.

Isabel L. Stine and Hensley-Green Company having made application for authority to sell, and Huntington Park Realty Company having joined in said matter and made application for authority to purchase, certain water works, properties and systems supplying water to consumers in the city of San Bruno, said properties being more particularly described in the application herein, and it appearing that said application should be granted;

It is hereby ordered, that said application be and the same hereby is granted upon the following conditions:

1. The consideration given for the transfer of said public utility water properties shall not be urged before this Commission or any other public body as a finding of value of said properties for rate fixing or any purpose other than the transfer herein authorized.

2. The authority herein granted to transfer said properties shall apply only to such transfer or transfers as may have been made on or before December 31, 1920, and a certified copy of the instrument or instruments of conveyance transferring the properties herein authorized to be transferred shall be filed with the Commission by Huntington Park Realty Company within thirty (30) days of the date on which they are executed.

3. Within ten (10) days of the date on which Isabel L. Stine and Hensley-Green Company actually relinquish control and possession of the properties herein authorized to be transferred, a certified statement shall be filed by them with the Railroad Commission, indicating the date upon which they relinquished such control and possession.

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In the Matter of the Application of Huntington Park Realty Company, for permission to file a new and revised schedule of water rates:

It is hereby found as a fact, that the rates heretofore charged for service upon the systems described herein, in so far as they differ from the rates set out in the following schedule, are unjust and noncompensatory, and that the rates hereinafter set out are just and reasonable rates to be charged by Huntington Park Realty Company for water served through its enlarged and consolidated system in San Bruno; and

Basing its order upon the foregoing finding of fact and upon all of the statements of fact contained in the opinion preceding this order;

It is hereby further ordered, that said Huntington Park Realty Company be and it is hereby authorized to file with the Railroad Commission, within twenty (20) days after the date of this order, and thereafter charge and collect, the following schedule of rates for water served by it in San Bruno:

Monthly meter rates.

500 cubic feet or less	$1 25
For each 100 cubic feet additional up to 10,000 cubic feet	15
For each 100 cubic feet in excess of 10,000 cubic feet	10

Monthly flat rates.

1. Residences, boarding houses, apartments, lodging houses, tenements or flats of five rooms or less, with one bath and one toilet	$1 50
For each additional room	25
Private garage, 1 automobile	25
For each additional automobile	25
Private barn with one horse or cow	50
For each additional horse or cow	25
2. Sprinkling or irrigation of lawns, gardens, shrubbery, etc., per square yard	02
3. Stores, shops, warehouses, theatres, billiard parlors, and all buildings used for commercial or industrial purposes not otherwise listed	3 00
4. Creameries, slaughter houses and laundries	5 00
5. Office building, for each room	50
6. Restaurants, chop houses and cafes per unit of seating capacity	15
7. Additional for each bath tub, toilet or urinal in Nos. 1 to 6, inclusive	30
8. Steam engines per horsepower	10
9. Building work, for mortar and to dampen 1000 bricks	35
For each barrel of cement	15
10. Public drinking fountain	1 50
11. Public water trough	2 50
12. For each 2-inch fire hydrant off 4-inch main or larger	1 00
Off main smaller than 4-inch	25
13. Street sprinkling per 100 cubic feet	15
14. Other public use at metered rates.	

Dated at San Francisco, California, this twenty-fourth day of May, 1920.

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DECISION No. 7609.

IN THE MATTER OF THE APPLICATION OF WHITTIER WATER COMPANY, FOR ORDER AUTHORIZING RENEWAL OF NOTES.

Application No. 5584.

Decided May 24, 1920.

James S. Bennett, for Applicant.

MARTIN, *Commissioner*.

OPINION.

Whittier Water Company asks permission to issue notes for a term of two years or less in an amount not exceeding $57,000 for the purpose of refunding the following outstanding notes:

Payee	Date	Due	Interest rate, per cent	Amount
Citizens National Bank of Los Angeles	Nov. 6, 1919	180 days	6	$7,500
Citizens National Bank of Los Angeles	Nov. 20, 1919	6 months	6	10,000
First National Bank, Whittier	Mar. 16, 1920	Demand	6	10,000
Whittier National Bank, Whittier	Mar. 24, 1920	Demand	6	12,000
Citizens National Bank of Los Angeles	Mar. 30, 1920	6 months	6	7,500
First National Bank, Whittier	Apr. 12, 1920	Demand	6	10,000

The record shows that some of the notes now outstanding were given in renewal of notes and that it is not practical at this time for applicant to carry into effect a comprehensive plan of refinancing, which would enable it to pay the notes at maturity. Applicant, therefore, asks permission to renew the notes from time to time during a period of two years, the maturity date of no notes to extend beyond two years after the date of this order.

I believe that applicant's request should be granted and herewith submit the following form of order:

ORDER.

Whittier Water Company having applied to the Railroad Commission for permission to issue notes in the amount of $57,000, a public hearing having been held, and the Commission being of the opinion that this application should be granted;

It is hereby ordered, that Whittier Water Company be and it is hereby authorized to issue its promissory notes for the principal sum of not exceeding $57,000.

The authority herein granted is subject to the following conditions:

1. The notes shall be issued for not less than their face value and for the purpose of renewing the notes set forth in the petition herein and in the foregoing opinion.

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2. The notes shall bear interest at not exceeding 7 per cent per annum.

3. The maturity date of no note or notes shall extend beyond two years after the date of this order. Applicant may, if it so desires, issue its note or notes for a term of less than two years and issue further notes in renewal of those herein authorized, provided the combined term of the note or notes issued pursuant to the authority herein granted and those issued in renewal thereof, respectively, shall not exceed two years from the date hereof.

4. Applicant shall file with the Railroad Commission reports as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

5. The authority herein granted will not become effective until applicant has paid the fee prescribed by the Public Utilities Act.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-fourth day of May, 1920.

DECISION NO. 7617.

IN THE MATTER OF THE APPLICATION OF SOUTHERN CALIFORNIA EDISON COMPANY, A CORPORATION, FOR AUTHORITY TO ISSUE AND SELL BONDS IN THE AMOUNT OF FIVE MILLION DOLLARS FACE VALUE.

Application No. 5617.

Decided May 24, 1920.

BY THE COMMISSION.

SECOND SUPPLEMENTAL ORDER.

Whereas, the Railroad Commission by Decision No. 7541, dated May 5, 1920, authorized Southern California Edison Company to issue and sell $5,000,000 of its general and refunding mortgage 6 per cent twenty-five-year gold bonds of the series of 1919, subject, among others, to the condition that the proceeds be deposited in a special fund or funds and expended only for such purpose or purposes as the Railroad Commission may authorize in a supplemental order or orders herein; and

Whereas, Southern California Edison Company has filed a supplemental petition in the above entitled matter, in which it reports an expenditure of $2,383,827.85 for the acquisition and construction of properties and an expenditure of $1,977,000 to pay debentures due

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March 1, 1920, which it issued under the Railroad Commission's Decision No. 2213, dated March 11, 1915; and

Whereas, Southern California Edison Company asks permission to use the proceeds obtained from the sale of the $5,000,000 of bonds to reimburse its treasury and to pay indebtedness to finance the expenditures to which reference has been made; and

Whereas, the Railroad Commission in Decision No. 7567, dated May 12, 1920, authorized Southern California Edison Company to use not exceeding $2,500,000 of the proceeds obtained from the sale of the bonds for said purposes, and an examination having been made of the company's exhibits attached to its first supplemental petition in Application No. 5617, and the Commission being of the opinion that applicant's request should be granted; now, therefore

It is hereby ordered, that Southern California Edison Company be and it is hereby authorized to use the remainder of the proceeds obtained from the sale of the bonds, the issue of which was authorized by Decision No. 7541, dated May 5, 1920, that is, the amount received in addition to the $2,500,000 referred to in Decision No. 7567, dated May 12, 1920, to reimburse its treasury or pay indebtedness, to finance in part the expenditures for permanent extensions, additions and betterments, or refund debentures, all of which is referred to in applicant's first supplemental application in the above entitled matter.

It is hereby further ordered, that the order in Decision No. 7541, dated May 5, 1920, as amended, shall remain in full force and effect, except as modified by this second supplemental order.

Dated at San Francisco, California, this twenty-fourth day of May, 1920.

DECISION No. 7618.

IN THE MATTER OF THE APPLICATION OF BAKERSFIELD WATER WORKS FOR AUTHORITY TO PURCHASE ALL OF THE PROPERTY OF BAKERSFIELD WATER COMPANY, AND ALSO FOR AUTHORITY TO ISSUE SIX HUNDRED SHARES OF CAPITAL STOCK AND BONDS OF THE PAR VALUE OF NINETY THOUSAND DOLLARS.

Application No. 5551.

Decided May 24, 1920.

BY THE COMMISSION.

FIRST SUPPLEMENTAL ORDER.

Good cause appearing;

It is hereby ordered, that Condition 3 of the order in Decision No. 7499, dated April 30, 1920, reading:

"$20,000 obtained from the sale of the bonds herein authorized shall be expended by Bakersfield Water Works to pay for the construction of extensions, additions

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and betterments referred to in the foregoing opinion, and in the testimony in this proceeding.

be, and it is hereby, amended so as to read:

$20,000 obtained from the sale of the bonds herein authorized shall be expended by Bakersfield Water Works for the following purposes:

For 962 feet 8-inch cast iron pipe, about	$2,232 00
For 7670 feet 4-inch cast iron pipe, about	10,508 00
For cast iron fittings and valves, about	300 00
For new pump from Byron Jackson Iron Works, about	960 00
For finishing part of reservoir to add 500,000 gallons storage, about	4,000 00
To pay advance by C. W. Kellogg for new cast iron main	2,000 00
Total	$20,000 00

It is hereby further ordered, that the order in Decision No. 7499, dated April 30, 1920, shall remain in full force and effect except as modified by this first supplemental order.

Dated at San Francisco, California, this twenty-fourth day of May, 1920.

DECISION NO. 7620.

CHAMBER OF COMMERCE OF WILMINGTON

vs.

PACIFIC ELECTRIC RAILWAY COMPANY, A CORPORATION.

Case No. 1359.

Decided May 24, 1920.

Henry E. Carter, for the Chamber of Commerce of Wilmington.

Frank Karr, for the Pacific Electric Railway Company.

LOVELAND AND BRUNDIGE, *Commissioners.*

OPINION.

In its complaint the Chamber of Commerce of Wilmington sets forth that the present passenger depot accommodations of the Pacific Electric Railway Company, defendant, are altogether insufficient and inconvenient, and the Commission is asked to make an order requiring the defendant to construct and maintain a suitable and adequate depot at the Canal avenue station, with sanitary accommodations for the patrons of the railway.

Prior to the filing of the formal complaint this matter had been taken up informally by the chamber of commerce, and by residents of Wilmington, both with the complainant and with this Commission, and, in June of last year, a petition was filed, signed by over a thousand persons, requesting that the Commission take action to bring about the erection of a proper station at complainant's line at Wilmington. This

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informal complaint, No. 16266, remained unadjusted at the date of the filing of the formal complaint and was consolidated with this proceeding.

The main contentions of the complainant are these:

The former district of Wilmington, now part of the city of Los Angeles, is located on Los Angeles harbor and on complainant's San Pedro line. By reason of its location on the harbor this territory has become an industrial district having in operation a number of industries consisting of shipbuilding plants, canneries, machine shops, oil refining plants and other industries. This industrial growth is continuing at a rapid pace. The population of the district is approximately 2500. All of the people living in this district, and all persons going to and from the industrial plants in this vicinity, are dependent for railroad transportation upon defendant's facilities. The greater portion of the patrons of the electric railway are taken on and discharged from the cars at the Canal avenue station in Wilmington. The only facility provided at that point for passengers and patrons is a shelter station, consisting of a 7 by 12-foot room, without lavatory or other accommodations, and the complainant states that this room is wholly inadequate and unfit to accommodate waiting patrons and that people are obliged to stand outside at all seasons of the year without shelter or protection from the weather.

In its answer to the complaint, the defendant denies that the present station facilities are inadequate or unfit and denies that any lavatory or like accommodations are needed. Defendant further alleges that it is not in a financial position to construct an elaborate or costly station, and that public convenience and necessity do not at the present time justify an expenditure of this kind.

A hearing was held at Wilmington on October 31, 1919, when testimony was given by witnesses for the complainant and the defendant. The Commission, through its engineering department, also made its own investigation. It is clearly established in our opinion that the existing facilities at Wilmington are inadequate and that the public convenience and necessity do require the erection of a better and adequate passenger depot. The defendant's own witness, Mr. Smith, in fact, agreed with this point of view and admitted that the construction of a socalled combination depot, with an agent handling passenger, freight and express, and perhaps other business, would be justified. A check of the passenger, freight and express business also warrants the conclusion that the business at this point justifies the erection of proper facilities. In this connection, it must be kept in mind that business is increasing and that such depot as may be built should and will take care not only of present needs but also of the future.

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Since there appeared to be substantial agreement between the complainant and the defendant as to what should be done, it was agreed that reasonable time should be given to the parties to come to a satisfactory understanding, without the necessity of an order by this Commission. There seemed to be the more reason to expect such a result because the people of Wilmington, through the instrumentality of the chamber of commerce, seemed willing to contribute a sum of money towards the construction of, in their opinion, an adequate depot. Negotiations have been carried on since the date of the hearing between representatives of the complainant and defendant. At one time the chamber of commerce offered to pay $3,000 towards the expense of a proper depot if defendant would put in a like amount over the $3,000 it had expressed itself as willing to appropriate for this purpose. This would provide for a depot costing a total of $9,000. Defendant refused this offer, but stated that if the chamber of commerce would advance $3,000 as against their $3,000, they would be willing to divide a reasonable amount above the $6,000 equally between themselves and the chamber of commerce. This last proposition was unsatisfactory to complainant and to the citizens of Wilmington.

It has become apparent that a voluntary adjustment of the difficulty can not be hoped for in a reasonable time and a decision is, therefore, necessary by the Commission. In our opinion, an adequate depot should be constructed and the defendant should bear the total cost of providing reasonable facilities. If complainant desires better than reasonably adequate facilities, it would seem fair that it bear all, or at least the major portion, of any additional expense. Unfortunately, costs of labor and material have steadily increased since the time when the original informal complaint was made and the expenditure of a greater amount of money will now provide lesser facilities than it would have been possible to provide with a smaller amount a year ago. In our opinion defendant should erect, without delay, a passenger depot, or a combination passenger and freight depot, costing at least $4,000. Plans should be immediately prepared by defendant to be submitted to the Commission for its approval, or for such modification as it may desire to make. The expenditure of this sum, we believe, will make possible adequate passenger facilities, and in fixing this sum we have in mind the financial difficulties of defendant and we are in agreement with the general policy that unnecessary expenditures are not justified at this time for purposes of this kind. This expenditure will provide not only for the present needs, but also for the needs of a reasonable time in the future.

The Commission's order requiring the construction of the depot by applicant, as indicated, does not, of course, prevent the people of Wilmington from making a contribution in addition to the $4,000 to be

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spent by the company if they desire larger and more elaborate facilities. We suggest the following form of order:

ORDER.

Complaint having been made by the chamber of commerce of Wilmington against the Pacific Electric Railway Company in the matter of depot facilities at Canal avenue station, Wilmington, city of Los Angeles, California, a public hearing having been held and the matter submitted, the Commission being fully advised, and basing its order on the finding of facts in the foregoing opinion;

It is hereby ordered, that the Pacific Electric Railway Company immediately construct and thereafter maintain adequate station facilities at Canal avenue, in Wilmington, at a cost of not less than $4,000;

It is further ordered, that the Pacific Electric Railway Company submit to the Commission, for its approval, within thirty days from the date of this order, complete plans and specifications of the proposed structure.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-fourth day of May, 1920.

DECISION No. 7621.

IN THE MATTER OF THE APPLICATION OF ALAMEDA TRANSPORTATION COMPANY, CROWLEY LAUNCH AND TUGBOAT COMPANY, LARKIN TRANSPORTATION COMPANY, E. V. RIDEOUT COMPANY, GEORGE W. FREETHY, GEO. WALLENROD, HENRY C. PETERSON, INCORPORATED, JIM WILDER, JOHNSON LAUNCH COMPANY, JNO. ERIKSON, OAKLAND LAUNCH AND TUGBOAT COMPANY, JOHN ANDERSON, AXEL JOHNSON, M. BARLETTA, HENRY HANSEN, E. C. JENSEN, KARL SANDELL, CARL ANDERSEN, DUKE STAIRLEY, CHRIS JOHANSEN, DAN THOMPSON, NEILS JESSEN, A. J. NILSON, J. P. CHRISTENSEN, HARRY JOHNSON, L. PYLE, MARTIN SCHMIDT, FRED OLSEN, OTTO DALL AND FRANK ROSSI, FOR AUTHORITY TO INCREASE FREIGHT AND PASSENGER RATES.

Application No. 5517.

Decided May 25, 1920.

Thirty companies and individuals operating launch, towboat and barge service on irregular schedules between various points on San Francisco Bay and the Sacramento and San Joaquin rivers are authorized to file and establish increased schedules of rates for such service, upon a showing that due to considerable increases in operative costs they have been operating at a loss under existing rates.

Sanborn and Roehl, by *A. B. Roehl,* for Applicants.

LOVELAND, *Commissioner.*

OPINION.

Twenty-four of the thirty applicants in this proceeding are engaged in the transportation of freight between points on the San Francisco

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Bay and tributary waters within the boundaries indicated by location of the cities of Petaluma, Sacramento, and Stockton and the town of Alviso. The remaining applicants perform a general towing and freight service chiefly along the San Francisco waterfront and the Oakland estuary. They also maintain a special passenger service, limited in most instances to trips between shore and vessels at anchor in the bay, and to the transferring of working crews from one place of employment to another.

The class of vessels and the character of service here involved were first brought under this Commission's jurisdiction on March 23, 1912, when the original Public Utilities Act became effective, the Commission's jurisdiction being limited at that time to vessels regularly engaged in the transportation of persons or property for compensation upon the waters of this state or upon the high seas over regular routes between points within this state. In the year 1917 the Public Utilities Act was amended and the jurisdiction was extended to all vessels used in the transportation of persons or property except row boats, sailing boats and barges under twenty tons dead weight carrying capacity and vessels propelled by steam, gas, fluid naphtha, electricity, or other motor power under the burden of five tons net register. This amendment to the act had the effect of bringing under control as common carriers practically all vessels operating on the waters within the State of California for commercial purposes. Originally rate schedules were published and filed by a very limited number of carriers who admitted regular operations over regular routes, but a great number of vessels maintained no schedules nor followed regular routes and were, therefore, not required to publish any rates. In the year 1917, when the amendment to the act became effective, the irregularly operated vessels were required to file tariffs in order to make lawful the rates being charged and collected. Most of the companies or individuals endeavored to comply with the law, and tariffs were filed showing the rates charged at that time. These tariffs have, with but few exceptions, remained unchanged in the Commission's files since 1917.

Conditions brought about by the war demoralized the situation, some of the boats being retired from the service, others chartered for special work, and while the testimony shows that certain of the companies endeavored to follow published tariff rates, the conditions were so abnormal that deviations were a common practice.

Applicants now seek a general readjustment as set forth in the exhibit attached to and made a part of the application which in many cases would bring about increases over the rates carried in the tariffs filed in 1917. The principal changes apply to vessels engaged in general towing in the vicinity of San Francisco, in the rental of barges and launches and to both freight and passenger service, in the same district,

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but the rates set forth in the proposed tariffs are in most instances being assessed and the patrons of these utilities are now and for some time past have been paying the same. Therefore, the publication of the rates will be but a little more than the recognition of an existing fact. In all other instances the proposed increases affect a few commodities only and are comparatively moderate. The application also involves the publication of a large number of new rates and charges, in many cases covering services not regularly offered or maintained at the time the existing schedules were filed. The application is based principally upon the contention that since schedules were filed with the Commission there has been, due to the war, increases in operating costs, labor increasing from 50 to 100 per cent, canvas, rope, lumber, ship chandlery, etc., from 50 to 200 per cent and fuel oils from 60 to 100 per cent.

Hearings on the application were held at San Francisco on April 14 and 17 and a number of supporting exhibits submitted. Exhibit No. 1 sets forth details with reference to increased operating costs, while Exhibits Nos. 2 to 10, inclusive, show the appraised value of the property and the operating revenues and expenses for nine of the principal applicants covering year ending December 31, 1919.

From these exhibits the following tabulation was compiled:

	Appraised value	Revenues	Expenses	Loss or gain
Oakland Launch and Tugboat Company	$225,600 00	$114,719 85	$111,010 11	*$3,739 74
John Erikson	90,000 00	80,016 57	82,576 12	2,559 85
Geo. Wallenrod	96,900 00	16,956 98	16,711 85	*215 13
E. V. Rideout Company	[1]268,963 75	344,271 62	359,467 52	15,195 90
Jim Wilder	74,500 00	17,285 98	21,216 54	3,929 56
Alameda Transportation Co.	25,000 00	29,838 70	30,575 34	736 64
Geo. W. Freethy	47,000 00	39,346 67	39,462 51	115 84
Crowley Launch and Tugboat Company	962,134 00	307,594 57	346,423 01	38,828 44
H. C. Peterson, Incorporated	401,026 27	259,375 00	260,369 89	994 89

[1]Book value.
*Gain.

The figures show that with two exceptions all of the applicants show losses ranging from $115.84 on a valuation of $47,000, to $38,828.44 on a valuation of $962,134. Of the two exceptions cited, one shows a nominal profit of $215.13 and the other a profit of $3,739.74, a return of approximately 1.6 per cent on the investment.

The testimony and exhibits further illustrate that the operating deficits would have been materially increased but for the fact that applicants carried their own marine risk in lieu of full insurance at the customary rates. This method of handling the insurance risks accounts in part for the profit of $215.13 shown by George Wallenrod,

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which would have otherwise been a deficit of approximately $4,600. The operating results of the Oakland Launch and Towboat Company are no doubt due to its location in the heart of the Oakland-Alameda shipbuilding industrial zone, and the large volume of short run service transferring men and building materials. All of the operating expenses were carefully checked and at the hearing attention was directed to items of salaries, as distinguished from wages, and to depreciation. As to the latter, it does not appear that 10 per cent, the maximum depreciation charged, was unreasonable, and apparently competent managers can not be secured for salaries lower than those now being paid by these companies.

Owing to the short period of time this class of common carrier has been subject to the control of the Railroad Commission, the unusual conditions existing during the past three or four years, and the absence of data upon which to base an estimate, it is not possible to more than approximate the additional gross revenue accruing to applicants under the proposed tariffs. However, it is apparent that little or no credit balance would be left after taking care of the deficit shown to exist and meeting the still higher operating costs for 1920, with which they are already confronted, with special reference to gasoline and fuel oil.

The showing as to operating results makes it useless at this time to go further into the question of appraised value with the view to establishing rates and fares based thereon. With the possible exception of the E. V. Rideout Company, operating the San Francisco-Carquinez Straits route, these carriers do not attempt to maintain regular sailing schedule, being governed entirely by tonnage available or passengers desiring transportation between the zones of operation.

It is the plan of applicants to organize a tariff publication bureau for the purpose of handling all traffic matters through a common agency with the view to greater economy and efficiency.

Notwithstanding the usual publicity and direct notice to commercial bodies and interested shippers and patrons, no one appeared at the hearing to oppose the application. The rates proposed are not out of proportion to the increases in operating costs since 1917, concerning which a great deal of testimony was presented.

Under the circumstances existing and the facts set forth herein, I am of the opinion that the application should be granted and rates as proposed in the exhibit attached to the application should be allowed, to become effective in tariffs published in accordance with the rules and regulations of this Commission.

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I recommend the following form of order:

ORDER.

The Alameda Transportation Company et al., having applied to this Commission for permission to increase freight and passenger rates between points located on the San Francisco Bay and the tributary waters and a regular hearing having been had, and the Commission being fully apprised in the premises, and basing its order on the opinion which precedes this order;

It is hereby ordered, that the application is hereby granted, and that the carriers be and are hereby authorized to amend and modify tariffs for the transportation of freight and passengers between the points involved in accordance with the opinion which precedes this order.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-fifth day of May, 1920.

DECISION NO. 7631.

IN THE MATTER OF THE APPLICATION OF COGGESHALL LAUNCH COMPANY FOR AN ORDER AUTHORIZING AN INCREASE IN FREIGHT RATES AND PASSENGER FARES.

Application No. 5414.

Decided May 26, 1920.

Pierce H. Ryan, for Applicant.

LOVELAND, *Commissioner.*

OPINION.

Applicant in this proceeding is engaged in the transportation of freight and passengers between points located on Humboldt Bay. Floating equipment employed consists of one steamer, six launches, one oil barge and a number of lighters, all of which, together with certain real estate, office building and furniture, water pump and miscellaneous supplies, represents an initial outlay of $91,700. With the exception of an occasional trip to points on the Oregon Coast, by the gas launch "Magnolia," the service is entirely intrastate and limited to Humboldt Bay and tributary waters.

The application involves increased charges both in the freight and passenger rates as per exhibit attached to and made a part of the application, the principal freight commodities affected being fuel oil, fresh water and shingles, handled in barge lots. Miscellaneous freight, together with so-called package express carried on passenger launches,

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would also take higher charges, the package rate being graduated to a scale beginning at 10 cents each for packages weighing 20 pounds, or less, and running to 25 cents for a maximum of 200 pounds. For packages weighing over 200 pounds, 12½ cents per hundred pounds would be charged. Following are the present and proposed passenger fares over the Eureka-Samoa route:

	Present	Proposed
One way	$0 10	$0 10
Round trip	15	20
20 ride commutation	1 25	1 65
40 ride commutation (children)	1 00	1 30
Monthly commutation	2 00	3 00

The proposed increases applying to special party fares between Eureka and Little River Wharf, and to vessels chartered for other points on Humboldt Bay, are based largely upon regulations and hours established for the service.

In the original petition filed March 3, 1920, applicant alleges in general that "the rates now in force for the most part are inadequate," and that the company "is not making a fair profit on its business." A supplemental petition filed April 7, 1920, states that subsequent to the time the original application was presented additional operating costs have developed which will necessitate a further annual expense of more than $6,000, the fuel item alone amounting to $3,030.30.

In support of the allegation as to the inadequacy of its present revenues, applicant submitted operating statements covering the first three months of the year 1920 as follows:

January	gain,	$134 23
February	loss,	87 87
March	loss,	937 88

In Application No. 4378, filed by Coggeshall Launch Company on February 19, 1919 (Decision No. 6231, March 28, 1919), which by reference was included in the present proceeding, applicant for the year 1918 sustained a loss of $2,057.54. Under this decision the monthly commutation fare for the Eureka-Samoa route was advanced from $1.75 to $2. This is the fare which applicant now asks to increase to $3. Applicant's records for the year 1919 are not complete, its system of accounting having been changed in May of that year; however, for the eight months ending December 31, 1919, it appears that a profit of $800 was realized, or approximately $100 per month on an investment in excess of $90,000.

Applicant's president estimates the reproduction value of the equipment at $157,250, less 25 per cent depreciation, or a present value of $117,937.50. In a sworn statement filed with the application, a master shipbuilder with eighteen years experience on Humboldt Bay affirms

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that applicant's vessels could not be reproduced at the present time for less than twice the inventory value as carried on the company's books.

A hearing on the application was held at Eureka April 21, 1920, at which all the testimony presented was in support of the petition. No one appeared at the hearing or otherwise indicated opposition to the rates and fares requested. Figures submitted show that after meeting increased operating costs, applicant's net revenue will be less than $1,500 per annum on the investment.

From the statements, testimony and exhibits, I am of the opinion that the application should be granted, and recommend the following form of order:

ORDER.

Coggeshall Launch Company having applied to the Railroad Commission for an order authorizing an increase in its freight and passenger rates for transportation between points on Humboldt Bay, a hearing having been held thereon, and the Commission being fully apprised in the premises;

It is hereby found as a fact, that the rates and fares now on file with the Railroad Commission are, in so far as they conflict with the rates and fares herein established, unjust and noncompensatory, and that the rates and fares herein approved are just and reasonable.

Basing its order upon the foregoing findings of fact and upon other facts set out in the preceding opinion;

It is hereby ordered, that Coggeshall Launch Company be and the same is hereby authorized to publish and file schedules containing the rates and fares set forth in the exhibit attached to and made a part of the application and as amended, referred to more fully in the opinion preceding this order.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-sixth day of May, 1920.

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DECISION NO. 7634.

IN THE MATTER OF THE APPLICATION OF GREAT WESTERN POWER COMPANY OF CALIFORNIA FOR AN ORDER AUTHORIZING THE ISSUE AND SALE OF ONE MILLION FIVE HUNDRED THOUSAND DOLLARS PAR VALUE OF PREFERRED STOCK.

Application No. 5631.

Decided May 27, 1920.

Guy C. Earl and *Chaffee E. Hall*, for Applicant.

DEVLIN, *Commissioner*.

OPINION.

Great Western Power Company of California asks permission to issue $1,500,000 of its 7 per cent preferred stock to enable it to complete its so-called Caribou development.

In a former proceeding before this Commission, Application No. 4395, the estimated cost of the Caribou development was reported at $4,321,430. Mr. S. L. Shuffleton, western manager for firm of Stone and Webster, who is in charge of the construction work, estimates the final cost at $6,246,100, or at $1,924,670 more than heretofore reported to the Commission.

The increase in the estimated cost, applicant reports, is caused by an increase of approximately 20 per cent in the cost of labor and material; by unexpected and unforeseeable difficulties encountered in the construction of Tunnel No. 1; by an increase in the capacity of the generating machinery from 40,000 kilovolt amperes to 44,444 kilovolt amperes, and by an increase in the size of the power house from a size sufficient to accommodate two 20,000 kilovolt ampere units to a size sufficient to accommodate three 22,222 kilovolt ampere units.

Applicant reports that, subject to the approval of the Railroad Commission, it has entered into an agreement, "Exhibit A," with certain persons, firms and corporations for the ultimate sale of $1,500,000 of its 7 per cent preferred stock, for the immediate underwriting of the stock, and obtaining loans on the underwriting agreement. The agreement in effect provides for the sale of the stock at 92½ and accrued dividends, less a 5 per cent commission, netting the company 87½ and accrued dividends. The company agrees to use its best efforts to sell the stock as soon as possible and prior to September 1, 1921, but reserves the right to call upon the underwriters to pay for the stock on or after April 1, 1921, and not later than September 1, 1921. To enable applicant, pending the sale of the stock, to borrow money to continue its construction work, each underwriter or subscriber shall execute a "loan agreement and guaranty," fixing his maximum obligation equal in amount to 87½ per cent of the amount of preferred stock

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opposite his signature. The loans made to the applicant will be evidenced by its one-year 6 per cent promissory notes. Both Mr. Mortimer Fleishhacker, president of Great Western Power Company of California and counsel for applicant, testified and stated that the agreement, "Exhibit A," which the Commission is asked to approve, covers only the sale of the $1,500,000 of stock referred to in this application, and that it does not give the underwriters an option on any additional stock, or obligate the company to sell any additional stock.

I herewith submit the following form of order:

ORDER.

Great Western Power Company of California having applied to the Railroad Commission for permission to issue $1,500,000 of stock, a public hearing having been held, and the Commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required for the purpose specified in this order, and that expenditures for such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income;

It is hereby ordered, that Great Western Power Company of California be, and it is hereby, authorized to issue $1,500,000 of its 7 per cent cumulative preferred stock.

The authority herein granted is subject to the following conditions:

1. The stock herein authorized to be issued shall be sold pursuant to the terms of the agreement attached to the petition herein and marked "Exhibit A," which agreement is hereby approved.

2. All moneys obtained through the execution of the underwriting agreement or the sale of the $1,500,000 of stock herein authorized to be issued by Great Western Power Company of California shall be used to pay in part for the construction of its so-called Caribou development referred to in this application and in applicant's "Exhibit No. 1."

3. Within sixty days after the date hereof, Great Western Power Company of California shall file with the Railroad Commission the names and post-office addresses of each subscriber for stock under the agreement marked "Exhibit A" and the amount of stock subscribed for by each such subscriber, also the names and post-office addresses of every one who signs the "loan agreement and guaranty" referred to in said "Exhibit A," and maximum obligation of each.

4. Great Western Power Company of California shall keep such record of the issue and sale of the stock herein authorized and of the disposition of the proceeds as will enable it to file, on or before the twenty-fifth day of each month, a verified report as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

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The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-seventh day of May, 1920.

DECISION NO. 7637.

IN THE MATTER OF THE APPLICATION OF BENICIA WATER COMPANY, A CORPORATION, FOR AN EMERGENCY RATE FOR WATER FURNISHED TO THE CITY OF BENICIA AND ITS INHABITANTS.

Application No. 5570.

Decided May 27, 1920.

WATER RATES—EMERGENCY EXPENSES—AMORTIZATION OF, THROUGH RATE INCREASES.—It is held that where a water utility is put to extraordinary expense to obtain a sufficient supply of water to care for demands made upon it due to uncontrollable shortage of supply, it is entitled to an increase in rates sufficient to amortize such expense. Such increase to be sufficient to care for the entire expense as it occurs, and not spread over a period of years.

Increased schedules of rates established; provided, applicant takes immediate steps towards increasing its water supply, and makes monthly reports to the Commission of revenues received under emergency rate.

A. E. Shaw, for Applicant.

W. V. Goodman, for City of Benicia.

D. A. Porter, for the Southern Pacific Company.

MARTIN, *Commissioner.*

OPINION.

This is an application by Benicia Water Company, a public utility corporation, hereinafter referred to as the applicant, engaged in the business of supplying water to the people of Benicia, for authority to install a temporary rate to amortize expenses incurred, and to be incurred, in furnishing an emergency supply of water to its consumers.

A public hearing was held in Benicia, the matter has been submitted, and is now ready for decision.

The application alleges in effect that owing to deficient rainfall during several past years applicant's reservoirs have not been filled; that during the past year there has been practically no runoff into its reservoirs; and that the supply available for use by its consumers is now almost exhausted, making it necessary to secure water from the Sacramento River and to transport the same to Benicia by means of tug and barge.

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Testimony by applicant's engineer sets forth the estimated cost of providing the emergency supply as follows:

Purchase and installation of barge of 300,000 gallons capacity, and other equipment	$37,467 54
Operation of barge, tug and pumping equipment from April 26, 1920, to January 1, 1921	$40,046 82
Depreciation on equipment	18,733 77
Total cost	$58,780 59

The total delivery of water is estimated as 63,750,000 gallons at a cost of 92 cents per thousand gallons.

Barging of water was commenced on April 26, but not all of the equipment included in the foregoing estimate of cost has been purchased and installed, and if not eventually required will result in a somewhat lower cost per thousand gallons.

Applicant asks permission to install emergency rates for water delivered to consumers and to continue such rates in effect until the entire extraordinary expense is amortized. The present regularly established rates and the emergency rates asked for are as follows:

	Present rates	Rates asked for	
		Schedule "A"	Schedule "B"
First 20,000 gallons, per 1000 gallons	$0 60	$1 52	$1 50
Next 10,000 gallons, per 1000 gallons	55	1 47	1 50
Next 10,000 gallons, per 1000 gallons	50	1 42	1 50
Next 10,000 gallons, per 1000 gallons	45	1 37	1 50
Next 25,000 gallons, per 1000 gallons	40	1 32	1 50
Next 25,000 gallons, per 1000 gallons	35	1 27	1 50
Over 100,000 gallons, per 1000 gallons	29	1 21	1 50
Monthly minimum payment for ¾-inch meter, allowing 2500 gallons	1 50	3 70	
Same, allowing 1500 gallons			2 25
City of Benicia, per month	100 00	160 00	160 00

The testimony offered shows that the present shortage of water has been caused by great increase in use of water, due to war activities, occurring during a period of abnormally dry years. It is apparent that immediate steps should be taken by the utility to devise means of increasing its water supply and to prevent a recurrence of the present emergency.

It is also apparent that applicant is not now receiving sufficient revenue from the sale of water at its regularly established rates to provide for the extraordinary expense of the emergency supply.

It is therefore evident that applicant is entitled to a temporary increase in rates.

A careful consideration of all the circumstances indicates that it will

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be wise to amortize the extraordinary expense, in so far as is possible, as it occurs, and not to spread the amortization over a series of years.

The actual total cost of providing the emergency supply can not of course, be accurately ascertained until the emergency has passed, applicant's reservoirs are replenished by rainfall, and the emergency equipment has been sold or otherwise disposed of. It is probable that the emergency condition will end about January 1, 1921. The rates fixed in the accompanying order will however do substantial justice to both applicant and consumers. Further investigations will be made by the Commission from time to time and such supplemental orders will be issued as are required.

ORDER.

Benicia Water Company having made application for permission to install an emergency rate to be charged by said Benicia Water Company to its consumers, a public hearing having been held thereon, and being fully advised in the matter:

The Railroad Commission hereby finds as a fact that the rates now charged by Benicia Water Company are unjust and unreasonable in so far as they differ from the rates herein established, and that the rates herein established are just and reasonable rates to be charged by Benicia Water Company.

Basing its order upon the foregoing finding of fact and upon the statements of fact contained in the opinion preceding this order:

It is hereby ordered, that Benicia Water Company be and the same is hereby authorized and directed to file with the Railroad Commission within ten (10) days from the date of this order, and to hereafter charge for all meter readings subsequent to June 1, 1920, and until further order of the Commission, the following rates for water served to the inhabitants of Benicia and vicinity:

RATE SCHEDULE.

First 20,000 gallons, per 1000 gallons	$1 50
Next 20,000 gallons, per 1000 gallons	1 45
Next 20,000 gallons, per 1000 gallons	1 40
Next 20,000 gallons, per 1000 gallons	1 35
Over 80,000 gallons, per 1000 gallons	1 30
Monthly minimum rate for ⅝-inch meter, per month	2 25
For each ¼-inch diameter of meter above ⅝-inch, per month	50
Municipal use, per month	100 00

The collection of the rates herein established is expressly conditioned upon the applicant herein filing with the Railroad Commission, within ninety (90) days from the date of this order, detailed plans and specifications for increasing its water supply sufficiently to prevent a recurrence of the present shortage.

And it is further ordered, that Benicia Water Company shall, on or before the fifteenth day of each month, file with the Railroad

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Commission a statement showing the revenues received from the sale of water during the preceding month at the foregoing emergency rates and also a statement showing what revenues would have been received at the regularly established rates.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-seventh day of May, 1920.

DECISION No. 7639.

IN THE MATTER OF THE APPLICATION OF FOWLER GAS COMPANY, A CORPORATION, FOR PERMISSION TO INCREASE RATES FOR SERVICE.

Application No. 5604.

Decided May 27, 1920.

C. A. Patton, for Applicant.

BRUNDIGE, *Commissioner*.

OPINION.

Fowler Gas Company alleges that under the present rates charged for gas service, its operations for the year 1919 have resulted in a deficit, and due to recent increases in the cost of oil, materials and labor its expenses have increased to such an extent that they can not be met by revenue derived from the present rates. A public hearing was held in Fowler on May 20, 1920, and the matter thereupon submitted.

Applicant is the smallest gas utility in the state and is engaged in serving about 95 consumers in the town of Fowler with artificial gas. During the year 1919 its sales totaled 2,424,000 cubic feet from which it obtained a gross revenue of $4,426.02. Operating expenses, inclusive of any charges for depreciation, amounted to $4,085.11, leaving a balance of $340.91. Interest deductions chargeable amounted to $708.49, thus showing a deficit of $367.58. Fixed capital installed as of December 31, 1919, was $20,600.68, to which additions of $159.51 have been made to April 30, 1920, making the total value of fixed capital as of May 1, 1920, $20,760.19. Applicant's properties are operated and managed entirely by Mr. C. A. Patton, who for some time has received inadequate compensation. The present rates in effect provide the following charges: first 2000 cubic feet at $2 per 1000, next 6000 cubic feet at $1.40 per 1000 and all over 8000 cubic feet at $1.20 per

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1000. These rates were established by Decision No. 5542 of July 3, 1918, and are materially less than those now in effect for other companies of considerably larger size in similar territory.

The following tabulation sets forth the operating expenses of Fowler Gas Company for the year 1919, together with an estimate for 1920:

Operating Expenses.

Production expenses	1919	Estimated 1920
Oil	$1,817 97	$2,040 00
Others	1,384 92	1,585 00
Distribution expense	210 36	340 00
Commercial	434 68	505 00
Taxes	237 18	325 00
Uncollectible bills		20 00
Depreciation		600 00
Total	$4,085 11	$5,415 00

Fowler Gas Company's properties were originally designed and constructed with the expectation of supplying approximately 250 consumers, its generating and distributing equipment being adequate for such demands. However, the actual number of consumers has never exceeded 115 and at present is only 95, and gas sales have declined over one million cubic feet since 1917. For these reasons applicant has failed to earn a proper revenue upon its capital invested. If rates sufficient to yield a full return were put in effect, it is believed that applicant's gas sales would be materially reduced and thereby result in no increase in gross revenue. While the rates herein established will not provide such a full return upon the rate base, it is believed that they will render considerable relief to the adverse conditions under which this company has operated. I therefore recommend the following form of order:

ORDER.

Fowler Gas Company having applied to the Railroad Commission for authority to increase its rates for gas, a hearing having been held and the matter submitted and being now ready for decision, the Railroad Commission of the State of California hereby finds as a fact that the present rates and charges for gas of Fowler Gas Company are not fair and reasonable rates in so far as they do not adequately compensate it to the extent of earning proper operating expenses and a fair return upon the valuation of its properties, and in so far as they differ from the rates and charges hereinafter established.

It is hereby ordered, that Fowler Gas Company be and is hereby authorized to charge and collect for gas the following rates, effective for all regular meter readings taken on and after the twenty-seventh day of May, 1920, to wit:

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	Net	Gross	
First 500 cubic feet or less per meter per month	$1 50	$1 60	
Next 1500 cubic feet per meter per month	2 50	2 60	per 1000 cubic feet
Next 6000 cubic feet per meter per month	2 00	----	per 1000 cubic feet
All over 8000 cubic feet per meter per month	1 50	----	per 1000 cubic feet

The net rate is effective if the bill is paid on or before the tenth day of the month next succeeding that for which the bill is rendered, otherwise the gross rate is effective.

Provided, Fowler Gas Company shall within ten days from the date of this order file with the Railroad Commission the schedules of rates herein established.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-seventh day of May, 1920.

DECISION NO. 7640.

IN THE MATTER OF THE APPLICATION OF SAN FRANCISCO AND SAN JOSE TRANSPORTATION COMPANY FOR PERMISSION TO INCREASE RATES AND TO ALTER RULES AND REGULATIONS SO AS TO EFFECT INCREASES IN RATES ON LESS THAN THIRTY DAYS' NOTICE.

Application No. 5568.

Decided May 27, 1920.

John A. Percy, for Applicant.

C. S. McLenegan, for Pioneer Express Company, Protestant.

BY THE COMMISSION.

OPINION.

The San Francisco and San Jose Transportation Company, a corporation, having made application for a general increase in rates, after a hearing by Examiner Geary on April 28, 1920, at 10 a.m., at San Francisco, the matter is now ready for a decision.

Applicant commenced operations on or about January 9, 1919, under the management of the original organizers of the corporation, and continued so to operate until July 26, 1919, when the capital stock of the San Francisco and San Jose Transportation Company was purchased by McNab and Smith, who have in good faith continued to operate the service to and including the present time.

Testimony presented at the hearing indicates that the original management, being inexperienced, operated the service at a deficit amounting to $10,078.94 for the period January 9, 1919 to July 26, 1919, inclusive; $16,893.18 during the period July 27, 1919 to December 31, 1919; $4,843.49 during the period January 1, 1920 to March 31, 1920,

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making a total loss for the fifteen months period of $31,815.61. The figures to and including December 31, 1919, were prepared by certified public accountants and the figures from January 1, to March 31, 1920, inclusive, were testified to by the accountant for the company and were verified by this Commission's chief accountant.

The principal item of expense for the period July 27, 1919, to December 31, 1919 is $21,043.71 due McNab and Smith for hauling. The applicant finds it necessary to constantly hire outside equipment to take care of its business, such equipment being hired from the parent company, McNab and Smith, for which an original charge of $40 per day was made, based on standard drayage rates. This amount has since been reduced to $30 per day, and which, in a measure, accounts for the decrease in deficit for the three months period, January to March, inclusive, 1920.

Testimony was also presented indicating that the transportation company paid the parent company $30 per day for two teams, wagons and drivers, for pickup service in San Francisco, and that it is now paying $30 per day for trucks used on the highway between San Francisco and San Jose. It was suggested that applicant could further reduce its deficit by purchasing trucks at considerably less outlay than is required under the present method of hiring from the parent company. However, by eliminating the entire amount due McNab and Smith for hauling, the company is operating at a deficit.

An application of the proposed rates to four days—March 2, 10, 18 and 26—shows an increase of 25 per cent in charges accruing to the business. For these four days the present rates produced revenue amounting to $1,032.25 and under the new rates the revenue on the same business would amount to $1,291.28. The operating receipts for the first three months of 1920 amounted to $16,785.16 and the expenses to $21,628.65, therefore if the new rates produce an increase of 25 per cent in revenue, by applying the measures of economy suggested above the proposed rates should produce a reasonable return on the investment.

ORDER.

It is hereby ordered, that the San Francisco and San Jose Transportation Company be and the same hereby is authorized to put into effect upon five (5) days notice after filing of tariff with the Railroad Commission the rates requested in its application in this proceeding.

Dated at San Francisco, California, this twenty-seventh day of May, 1920.

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DECISION NO. 7641.

IN THE MATTER OF THE COMMISSION'S INVESTIGATION INTO THE RATES, RULES, REGULATIONS, SERVICE AND PRACTICES OF MOUNTAIN WATER COMPANY.

Case No. 1409.

Decided May 27, 1920.

WATER SERVICE—IMPROVEMENTS TO—FINANCIAL ABILITY TO MAKE.—A water utility can not claim its financial inability to make needed repairs and replacements to its system when it has never applied to the Commission for a readjustment of its rate schedule so as to provide the necessary funds for such work. Respondent directed to immediately make certain specified improvements to its water system.

H. A. Magee, for Mountain Water Company.

Miss Edith Howard, for Consumers.

MARTIN, *Commissioner*.

OPINION.

The above entitled matter is a proceeding instituted for the purpose of investigating service conditions obtaining under the system of the Mountain Water Company, a public utility engaged in the business of supplying water for domestic purposes in Lamanda Park, Los Angeles County, California.

Numerous informal complaints had been filed by consumers under this system, alleging insufficient supply and unsatisfactory service conditions. These matters were taken up by letter with the management of Mountain Water Company, but it appeared impossible to obtain relief through informal proceedings. Accordingly the Commission issued its order directing Mr. F. H. Post, secretary and manager of the company, to appear and show cause why the service rendered by Mountain Water Company was unsatisfactory, and furnish such other information concerning the rates, rules, regulations, practices and financial condition of his company as might be required of him.

A public hearing was held in this matter, at which all interested parties were given an opportunity to be heard, and prior to the hearing a field investigation of the plant and system of the company in question was made by a representative of the Commission's engineering department.

At present there are some 146 consumers supplied by Mountain Water Company, and it appears that the service rendered is unsatisfactory and the supply of water inadequate. A large percentage of the pipe comprising the distribution system has been installed for a period of between thirty and thirty-five years, and it is therefore now closely approaching the end of its usefulness.

The distribution system as at present constructed is improperly designed in that there are insufficient cross-connections between the

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principal distribution lines. This results in the numerous dead ends and renders it impossible for the water to properly circulate. It appears that no attempt has ever been made to remedy this defect.

Respondent admits that the service in general is poor and also admits the inadequacy of its pipe lines, but contends that its water supply is not sufficient to take on any new consumers, and that it is financially unable to make any improvements.

The present sources of supply of this company are the Precipice Canyon Water Company, the Pasadena Consolidated Water Company, from whom a certain amount of water is purchased during the dry season, and a tunnel on respondent's property in Eaton Canyon.

Near this tunnel there is a well which, some years ago, produced a steady flow of ten or twelve miner's inches, but which is not being used at the present time. It is thus evident that respondent has under its control an additional source of supply which it is making no attempt to use, and its contention with reference to insufficiency of supply is without merit, inasmuch as the well could and should be repaired and put in operation. If this is done it appears that respondent will have a sufficient supply of water to serve additional consumers, and the evidence shows that heretofore many applicants for service have been refused because of respondent's contention that there was not sufficient water available for such service.

As a public utility, Mountain Water Company is under obligation to the public to render adequate service. The company's claim that it is financially unable to make the necessary betterments, repairs and replacements to render good service is not persuasive in view of the fact that it has never applied to this Commission for authority to increase its rate schedule. If its revenue is insufficient to provide necessary operating expenses, replacements and interest return, it has at all times had available recourse to this Commission for relief.

The evidence shows that if good and adequate service is to be rendered by Mountain Water Company, it will be necessary that said company install certain additional pipe lines and repair and replace portions of its distribution system. The improvements which respondent is directed to install will materially better service for the present, but it will be necessary for this company to install further improvements from time to time, as needed.

ORDER.

The Railroad Commission having instituted an investigation as entitled above, a public hearing having been held, and the Commission being fully apprised in the premises;

It is hereby ordered, that Mountain Water Company be, and it is hereby, directed to install the following replacements and improvements in its distributing system:

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1. The present pipe line on Railroad avenue from Santa Anita avenue to Daisy street shall be replaced with a new pipe line of not less than three inches in diameter.

2. A new two-inch pipe line shall be laid on Daisy street, connecting the present line on that street to the new three-inch line on Railroad avenue.

3. A main shall be laid on Sierra Grande street connecting with the main on Daisy street, to close the existing gaps, thus making the main on Sierra Grande street continuous. This main shall be of sufficient size to give adequate service to consumers.

4. The present pipe line on Sunny Slope avenue shall be connected to the lines on Colorado street, Nina street and Railroad avenue.

It is hereby further ordered, that the work on said improvements and replacements shall be begun within ten (10) days from the date of this order, and that within twenty (20) days of the date hereof, and at the end of each succeeding thirty (30) days thereafter until the work is completed, the Mountain Water Company shall file with the Railroad Commission a statement showing the progress made in the intervening period.

It is hereby further ordered, that all work specified in this order shall have been completed within ninety (90) days of the date hereof, and at the completion of the construction work herein ordered, a certified statement shall be filed by Mountain Water Company with the Railroad Commission indicating that the work has been completed in accordance with the conditions of this order.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-seventh day of May, 1920.

DECISION No. 7643.

IN THE MATTER OF THE APPLICATION OF MIDLAND COUNTIES PUBLIC SERVICE CORPORATION FOR AUTHORITY TO RENEW CERTAIN NOTES.

Application No. 5709.

Decided May 27, 1920.

MARTIN, *Commissioner.*

ORDER.

Midland Counties Public Service Corporation having applied to the Railroad Commission for permission to renew for a term of one year or less notes of the aggregate face value of $95,000, all of which notes

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were issued pursuant to the authority heretofore granted by the Commission in Decision No. 6345, dated May 21, 1919 (Volume 16, Opinions and Orders of the Railroad Commission of California, page 790), a public hearing having been held, and the Commission being of the opinion that the money to be procured by such issue is reasonably required for the purpose specified in this order, and that the expenditures for such purpose are not in whole or in part reasonably chargeable to operating expenses or to income;

It is hereby ordered, that Midland Counties Public Service Corporation be, and it is hereby, authorized to issue at not less than the face value thereof, its promissory notes for a term not exceeding one year for the purpose of renewing the following notes now outstanding:

Payee	Date of note	Date due	Interest rate, per cent	Amount
Union National Bank of San Luis Obispo	Feb. 8, 1920	May 8, 1920	6	$6,000
Wells Fargo-Nevada National Bank	Feb. 21, 1920	May 21, 1920	6	37,500
Wells Fargo-Nevada National Bank	Feb. 21, 1920	May 21, 1920	6	37,500
First National Bank of Fresno	Feb. 24, 1920	May 24, 1920	6	2,500
Union National Bank of Fresno	Jan. 25, 1920	May 25, 1920	6	11,500
Total				$95,000

The authority herein granted is subject to the following conditions:

1. The notes herein authorized to be issued shall be issued to the same payees, at not exceeding the same rates of interest and in the same amounts as the notes which they are given to renew.

2. Applicant may, if it so desires, issue notes for a term of less than one year and renew said notes from time to time; provided, that the combined terms of the notes herein authorized and notes issued in renewal thereof shall not exceed one year from the date of the maturity of the notes set forth in this order.

3. Midland Counties Public Service Corporation shall keep such record of the issue of the notes herein authorized and of the disposition of the proceeds as will enable it to file, on or before the twenty-fifth day of each month, a verified report as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

The foregoing order is hereby approved and ordered filed as the order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-seventh day of May, 1920.

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DECISION NO. 7650.

NEVADA, CALIFORNIA AND OREGON TELEGRAPH AND TELEPHONE COMPANY, A CORPORATION,

vs.

THE RED RIVER LUMBER COMPANY.

Case No. 1223.

Decided June 1, 1920.

JURISDICTION—PUBLIC UTILITY TELEPHONE SYSTEMS—INVASION OF TERRITORY.—A private corporation owning and operating lumber mills, stores, etc., which constructs and operates a telephone system, primarily for its own use and convenience, is held to have engaged in public utility service when such system has outgrown the company's own immediate needs and is supplying service to all applicants therefor and rendering toll service in conjunction with public utility lines at a fixed schedule of rates.

Defendant found to be operating a public utility telephone system without a certificate from this Commission in territory in which complainant is lawfully operating a utility of a like nature, and it is directed to discontinue such service and complainant directed to establish service, in such territory, within a period of ninety days.

G. P. Johnson, for Complainant.

A. E. Bolton, for Defendant.

BY THE COMMISSION.

OPINION.

Complainant herein is a public utility doing a general telegraph and telephone business throughout the counties of Lassen, Modoc, and a part of Plumas, California.

Defendant is the owner of a large lumber industry, the mills of which are located at the town of Westwood, Lassen County.

The complaint alleges that the defendant did, during the year 1914, construct a telephone exchange and a system of wires, cables, cross-arms, etc., and since that time has conducted and now is, without any authorization of this Commission, conducting a commercial telephone business in and about Westwood which is a part of the territory within which the complainant does and holds itself out to do a general telephone business. The complainant prays that the Railroad Commission order the defendant company to desist from furnishing the telephone service complained of which, in its opinion, is an invasion of the territory served by complainant.

Defendant in its answer sets up that for many years it has been engaged in the manufacture of lumber and lumber products; that in connection therewith it acquired a large tract of land in the counties of Lassen and Plumas; that in 1912 it constructed a plant at Westwood; that a railroad was extended thereto; that a milling plant, with a capacity of 700,000 feet per day, was erected; that logging roads were built; that to house its employees it constructed four hundred houses,

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built boarding houses, hotels, stores, theatres, a church, a school—all owned by defendant—and that now the town of Westwood has 3500 inhabitants, all employees of the defendant company.

Defendant further alleges that for the purpose of carrying on the business of said plant it was necessary to have communication between the various mills, the store, offices and many of the residences of the employees; that a telephone was necessary as a part of a fire alarm system, as a facility in connection with logging, as an adjunct of its hospital, camps, railroad offices and various departments of said plant.

And further, that said telephonic system of said defendant company is wholly used by the said company and its employees and such persons as come to said plant for the purpose of doing business with said company, and that in some houses telephones have been installed and that the installation of the same necessarily made the use of the house cost to the person occupying the same from $1.25 to $1.75 per month more than houses in which no telephones were installed.

Defendant alleges that the system so run and operated does not conflict in any manner with the telephonic system of said complainant; that the service is not competitive; that no public interest would be better served by a combination of the two systems, and if complainant installed a system in Westwood it would still be necessary for defendant to maintain the present system.

A public hearing was held at Westwood before Examiner Encell.

The defendant admitted that its operation of telephones was without any authority of the Commission because it was not operating as a public service corporation or public utility, and claimed that the Commission was, therefore, without jurisdiction.

The testimony offered by the parties was substantially the same as the allegations of the complaint and answer. In addition thereto, the following facts were adduced at the hearing:

First—That the defendant company supplied two-party line telephone service to any residence in Westwood for $1.25 per month, and single-party line for $1.75 per month. The payment of this charge entitled the users to an unlimited number of switches between their respective residences and any other phone in Westwood, be that telephone in a residence, store, or mill.

Second—That defendant company, in addition to local service, connected its users with the lines of the Nevada, California and Oregon Telegraph and Telephone Company, complainant herein, for long distance service and received from complainant as compensation therefor the sum of 30 per cent of all long distance tolls originating in Westwood.

Third—That in the store, pool hall, etc., at Westwood, telephones were open to the public generally and any person, be he employee or

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resident of Westwood, or not, is privileged to use the telephone for local or long distance purposes upon payment of the toll.

Fourth—The telephone system is used by residents of other places, the town of Chester being specified, for the purpose of placing orders for merchandise at the store at Westwood.

Defendant in its brief contends that it has never held itself out or expressed its readiness to serve the public generally; that its operations are not affected by a public interest; that it benefits only a particular class, namely, its employees, and finally that the telephone system at Westwood is only a plant facility.

From the facts hereinabove set forth in this opinion, we are unable to distinguish the operation of this company from the operation of any other small telephone company. It is undoubtedly true that the sole purpose of the Red River Lumber Company in establishing its elaborate and splendid city was to confine all its activities to the lumber industry, but whether intentionally or otherwise we believe its dedication of its facilities to the public must be implied from the general course of the business in question. (*Wyman*, section 200, page 168.)

As counsel for complainant very truly (we think) says in his brief:

> It matters not that the Red River Lumber Company, who built the line involved in this case, had no thought of engaging in a public utility business. When they connected their line with a public utility and consented to the use of their line for the transmission of long distance messages, their business rose from "private to be of public concern."

The defendant further claimed that the telephone service herein rendered was merely a plant facility. Unquestionably the telephone service was inaugurated for that purpose, but it outgrew the limitations of that term when it became used for communication between the members of the families of the various employees, when it became used by its employees for purposes not connected with the company, such as for communication with the grocery store, the hospital, etc., when it became used by the residents of the city for long distance service, and when it became used by the residents of other cities and towns for purely commercial purposes.

As was said in the case of *Dorstader* vs. *Southern Elkhorn Telephone Company*, P. U. R. 1919 F:

> The Nebraska Telephone Company is a common carrier. On that point there is no controversy. It furnishes local exchange service to several hundred subscribers at Norfolk, and undertakes to provide all of the local service required by that community. In addition its exchange is connected with its extensive toll system, reaching all sections of the United States. We are confronted, therefore, with the question: Can a private individual or a group of private individuals construct a telephone line, connect that line with a common carrier company engaged in the telephone business, and not become an integral part of the common carrier system, subject to all the obligations flowing from the public interest attaching thereto? If the intimate relationship established between the private individual and the common carrier does not have the effect of changing the essential character of the

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thing the private individual does, then that question can be answered in the affirmative, and our problem is solved. On the other hand, if the private individual establishes a relationship with a common carrier whereby there is a mutual interchange of service, the individual at the same time performing a duty that would otherwise devolve upon the common carrier, there is good reason to believe that the thing that was intended to be private has come to be of public interest, and is charged with all the obligations that attach to the common carrier.

And as was said in the case of *United States* vs. *Louisiana and P. R. Co.*, 234 U. S. page 1:

Although a railroad may have originally been a mere plant facility, after it has been acquired by a common carrier duly organized under the law of the state and performing service as such and regulated and operated under competent authority, it is no longer a plant facility, but a public institution, even though the owner of the industry of which it formerly was an appendage is the principal shipper of freight thereover. The extent to which a railroad is in fact used does not determine whether it is or is not a common carrier, but the right of the public to demand service of it.

The defendant further lays stress upon the peculiar situation involved in this case, namely, that the land upon which the buildings are situated, all the buildings themselves, and in fact everything of every kind and nature is owned by the defendant company and that, therefore, this matter involves no public interest but is purely a private concern. In addition to the reasons above given for holding that the defendant corporation has by its conduct become what is defined by the Public Utilities Act to be a telephone corporation and over which the Railroad Commission has undoubted jurisdiction, subdivision (*t*) of section 2 of the Public Utilities Act defines a telephone corporation to be:

The term "telephone corporation," when used in this act, includes every corporation or person, their lessees, trustees, receivers or trustees appointed by any court whatsoever owning, controlling, operating or managing any telephone line for compensation within this state.

Nothing therein is said about a situation similar to that existing in this case. However, an examination of subdivisions (*p*), and (*r*) of section 2 of the act, which define gas corporations and electrical corporations, contain, in addition to the language above quoted from subdivision (*t*), the following:

Except where gas is made or produced on and distributed by the maker or producer through his tenants and not for sale to others," and "except where electricity is generated on or distributed by the producer through private property alone solely for his own use or the use of his tenants and not for sale to others.

The legislature having made the special exception in the case of gas corporations and electrical corporations relative to use on private property or for tenants, evidently had the matter of such exception in mind, and it was not the intent to allow telephone corporations to be exempted from the Public Utilities Act by reason of their serving their commodity only to tenants or upon private property, which situation

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in the main exists in this instance. For the reasons hereinabove set forth, we are of the opinion that defendant, the Red River Lumber Company, a corporation, has been and now is without any authority from this Commission conducting a public utility, namely, a telephone corporation, and we are further of the opinion that the public utility so conducted is within the territory sought to be served by the complainant herein, Nevada, California and Oregon Telegraph and Telephone Company, and that the said last named company is the only public utility which possesses the authority to render such service in the territory involved.

ORDER.

Complaint having been filed with the Railroad Commission by Nevada, California and Oregon Telegraph and Telephone Company, complainant, vs. The Red River Lumber Company, defendant, alleging that defendant is unlawfully operating a commercial telephone business as a public utility at Westwood, Lassen County, California, in territory within which complainant is lawfully operating a public utility of like character, and asking for an order of the Railroad Commission requiring defendant to desist from said operation and permitting complainant to provide telephone service without hindrance from defendant in said territory; a public hearing having been held, the matter having been submitted, briefs having been filed, and the matter now being ready for decision, the Railroad Commission hereby finds as a fact:

1. Defendant, The Red River Lumber Company, a corporation, is, without authority of this Commission, conducting a public utility, namely, a telephone corporation, at Westwood, Lassen County, California.

2. The public utility so conducted by defendant is conducted within territory within which complainant, Nevada, California and Oregon Telegraph and Telephone Company, was and is lawfully operating a public utility of like character.

And basing its conclusions on the foregoing findings of fact;

It is hereby ordered, that defendant, The Red River Lumber Company, shall within ninety (90) days of the date of this order discontinue the operation of its telephone system as a public utility in and in the vicinity of Westwood, Lassen County, California.

And it is hereby further ordered, that complainant, Nevada, California and Oregon Telegraph and Telephone Company, be and it is hereby authorized and directed within ninety (90) days of the date of this order to establish and provide local exchange telephone service in and in the vicinity of Westwood, Lassen County, California; provided, that the authority herein granted to Nevada, California and Oregon Telegraph and Telephone Company to establish and provide local exchange

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telephone service may be exercised by it only after it shall have submitted to the Railroad Commission for its approval its plans for establishing and providing said service, together with its schedules of rates, rules and regulations for the operation thereof, and shall have obtained the approval of the Railroad Commission therefor.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this first day of June, 1920.

DECISION No. 7651.

IN THE MATTER OF THE APPLICATION OF CORONA CITY WATER COMPANY, A CORPORATION, TO INCREASE RATES.

Application No. 4786.

Decided June 1, 1920.

Walter S. Clayson, for Applicant.

Geo. R. Freeman, for City of Corona.

MARTIN, *Commissioner*.

OPINION.

The Corona City Water Company, applicant herein, is a public utility water company engaged in the business of supplying water for domestic purposes in the city of Corona, Riverside County, California. In the above entitled matter applicant asks authority to increase its rates for the sale of water, it being alleged that the present return is insufficient to meet operating expenses and provide for necessary extensions and betterments. It is also alleged that the number of consumers is decreasing each year and that thereby applicant's revenue is materially reduced.

A public hearing was held in this matter and an investigation of the system was made by a representative of the Commission's engineering department.

The Corona City Water Company is a public utility company organized for the purpose of furnishing water for domestic and irrigation purposes to consumers in the city of Corona. It is an offshoot of the Temescal Water Company, a mutual organization. The Corona City Water Company receives its supply of water from the parent company through the ownership of 500 shares of water stock. These shares are equivalent to 50 miner's inches of water continuous flow with a cumulative right over certain periods.

Investigation disclosed that the average daily consumption over any one calendar year has never reached an amount equal to 50 miner's

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inches continuous flow, and it therefore appears that applicant should not be required to pay a return on that amount. The amount of water necessary to supply the consumers of applicant was estimated by the Commission's engineer to be 35 miner's inches. This estimate was based on the company's records showing a total of all meter readings, with a reasonable amount added for the few existing flat rate services. At the hearing, however, attention was directed to the fact that the figures as recorded by the company did not include water used for fire protection, flushing sewers, or any waste in the system, and a revised estimate of 40 miner's inches continuous flow was submitted as the amount of water necessary for the operation of the system. This amount is the equivalent of 400 shares of Temescal Water Stock.

The present rates of Corona City Water Company on file in this office were established by the Commission in its Decision No. 2053, Case No. 661, *City of Corona* vs. *Corona City Water Company*, Vol. 6, p. 16, Opinions and Orders of the Railroad Commission, and are as follows:

Minimum for 800 cubic feet or less	$1 25	per month
Between 800 to 2000 cubic feet	10	per 100 cubic feet
Over 2000 cubic feet	07½	per 100 cubic feet
Water for street sprinkling	07½	per 100 cubic feet
4-inch fire hydrants off 4-inch or larger mains	1 00	per month
Fire hydrants of smaller dimensions than 4-inch	25	per month

At the time of the hearing in Case No. 661, *supra*, an extensive investigation was made by the Commission's engineers, and with the exception of some few slight modifications, the valuation established at that time will be used for the purposes of this order. These changes are made necessary by property abandoned or out of use, changed operating conditions and additions to fixed capital. It appears that the following items constitute a reasonable rate base for the year 1919:

Estimated original cost of system exclusive of Temescal Water Company stock	$80,623 00
400 shares of Temescal Water Company stock	40,000 00
Working capital	500 00
Total	$121,123 00

The evidence introduced on the subject of working capital was meager, one witness stating in effect that some amount less than $1,000 was necessary to carry on the business. It is believed that $500 is an ample sum to be allowed for this item.

The company's records show the gross annual revenue for four years to have been as follows:

1915	$21,738 90
1916	21,614 63
1917	21,894 17
1918	19,769 22

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The company's witnesses testified that the reduction in revenue in 1918 was caused by the decrease in population due to the war and other conditions; that during 1919 the people were returning to Corona and that a gradual increase was expected in the future. It follows then that it is not unreasonable to expect that the present rates if continued in effect would yield a gross revenue of $22,500 for the year 1920.

The annual reports of the company show that it expended $13,344 for operating its system during 1918. The Commission's engineers estimate that a fair annual allowance for operating expenses approximates $13,000, and after analyzing the evidence this appears reasonable. The replacement fund computed by the sinking fund method totals $750. Summing these yearly charges, including the interest return, it appears that rates established should yield annually the sum of $23,485. It therefore seems proper to provide for an increased revenue, and furthermore, to so adjust the rate schedule that each consumer shall pay more nearly his equitable proportion of the expense. The rate schedule herein established is designed to yield the above sum, and to more equitably distribute the charges among the consumers.

ORDER.

The Corona City Water Company having made application for permission to increase its rates, a public hearing having been held, and the Commission being fully apprised in the premises:

It is hereby found as a fact that the rates now charged by the Corona City Water Company, in so far as they differ from the rates herein established, are unjust and unreasonable, and that the rates herein established are just and reasonable rates to be charged by the Corona City Water Company; and

Basing its order upon the foregoing finding of fact and upon the further statements of fact contained in the opinion which precedes this order;

It is hereby ordered, that the Corona City Water Company be, and it is hereby, authorized to file with the Railroad Commission within twenty (20) days from the date of this order, and thereafter charge, the following rates for water served to the inhabitants of the City of Corona:

Measured rate schedule for use.

0 to 500 cubic feet, 20 cents per 100 cubic feet.
500 to 1000 cubic feet, 15 cents per 100 cubic feet.
1000 to 2000 cubic feet, 12 cents per 100 cubic feet.
Over 2000 cubic feet, 8 cents per 100 cubic feet.

Minimum monthly payments:

⅝-inch meter	$1 00
¾-inch meter	1 50
1-inch meter	2 00
1½-inch meter	3 00
2-inch meter	5 00

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The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California this first day of June, 1920.

DECISION NO. 7652.

IN THE MATTER OF THE APPLICATION OF EMPIRE WATER COMPANY FOR AN ORDER INCREASING THE RATES OR CHARGES FOR DELIVERY OF WATER THROUGH ITS WATER SYSTEM TO THE USERS THEREOF, AND FOR AN ORDER AUTHORIZING IT TO ADOPT REGULATIONS GOVERNING SUCH DISTRIBUTION AND COLLECTION OF CHARGES.

Application No. 2801.

Decided June 1, 1920.

JURISDICTION—WATER UTILITIES—CONTRACT SERVICE.—The execution of contracts covering the delivery and fixing the rate for water does not remove a water distributing company from the jurisdiction of this Commission. A water company whose articles of incorporation and by-laws show that it was not organized solely for the purpose of delivering water to its stockholders but was organized and is engaged in distributing water to the public at a fixed compensation, is a public utility, the rates for service of which this Commission has jurisdiction to establish.

WATER RATES—ADJUSTMENTS IN, AS TO CLASSES OF CONSUMERS.—A higher rate is established for one class of consumers of applicant than is provided for the second class when it is shown that applicant has two sources of supply, one only of which is available to the second class of consumers. Revised schedule of rates established effective within twenty days.

Johnston and Jones and *J. S. Jenks*, for Italian Swiss Colony.

M. B. Harris, of *Harris and Harris*, for East Side Land Owners.

Sullivan, Sullivan and Roche and *Louis V. Crowley*, for West Side Consumers.

James E. Kelby and *H. P. Brown*, for Gridley, Perkins and others, including East Side Farms, a corporation.

Scarborough and Bowen, for Applicant.

BY THE COMMISSION.

OPINION.

In the above entitled proceeding the Empire Water Company, applicant herein, asks that this Commission authorize it to increase its charges for water, and establish rules and regulations for the distribution of water through its system and the collection of charges for water delivery.

Applicant in its petition alleges in effect as follows:

That it is a California corporation, and was declared a public utility by this Commission in its Decision No. 2200 in the proceeding entitled *Angal Ferrasci et al.* vs. *Empire Water Company*, Case No. 494, decided March 5, 1915;

That it supplies water to lands within the boundaries of the Empire Ranch, near Lemoore, Kings County, consisting of 16,372.75 acres, of

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which 6,785.37 acres are located on the west side of Kings River and 9,587.38 acres located on the east side of the river;

That the water so delivered is derived from the following sources:

1. The South Fork of Kings River;

2. Lemoore Canal and Irrigation Company under shares of its capital stock standing in applicant's name;

That water obtained from the Lemoore Canal and Irrigation Company's system is supplied by the Commission's order, in Case No. 494, first, to lands located on the east side of the river, and any surplus thereof to lands on the west side of the river, and of the lands on the east side 4,036.34 acres can be supplied only from water obtained from the Lemoore stock;

That the rates which applicant now charges are fixed by a contract, dated January 8, 1906, with Empire Investment Company, then owner of all lands in the Empire Ranch. This contract provides for a charge of $1 per acre per year for the delivery of water for irrigation;

That prior to September, 1911, the rate was reduced to 75 cents per acre per year, but that subsequent to that time the contract rate has been collected;

That the present rate was fixed at a time when it was thought that the expense of maintaining and operating the system would be much less than it has actually been;

That applicant has expended for maintenance and operation of the system to January 1, 1917, $113,862.29 and its revenue has been $74,243.17, leaving a deficit of $39,619.12;

That the present rate furnishes no return upon the investment;

That applicant desires to increase its rates to $1.50 per acre per year for consumers on the west side of the river, and to $2.50 per acre per year for consumers on the east side of the river;

That consumers on the east side are assured of a better water supply than those on the west side, because of the advantage they receive through the use of water from the Lemoore system, and should therefore pay a higher rate;

That a flat rate per acre per year should be fixed rather than a measured rate on account of the ditches having a very flat grade, making it practically impossible to install and operate measured devices, and on account of the heavy expense of installing and operating such devices;

That it is necessary, in order to secure proper operation of the system, to adopt and enforce proper rules and regulations, and the Commission is asked to allow applicant to adopt the rules proposed in "Exhibit F" and attached to the application, one of which provides that unpaid charges become a lien upon the land.

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At the hearing in this proceeding counsel representing certain of the consumers contended that this Commission is without jurisdiction, on the ground that applicant herein is not a public utility. Much evidence was submitted on this point, both in this proceeding and in the proceeding entitled *Angal Ferrasci et al.* vs. *Empire Water Company*, Case No. 494, in which proceeding this Commission in its Decision No. 2200, decided March 5, 1915, Volume 6 of Opinions and Orders, Railroad Commission of California, page 309, held Empire Water Company a public utility, subject to the jurisdiction of this Commission. Applicant's history and a description of its system are fully set out in the above mentioned decision. However, for the purpose of this proceeding, a short resume will be here given.

The Empire Investment Company was incorporated May 4, 1905, and purchased the Empire Ranch, containing 18,712 acres of land in Kings County, including 7½ shares of the capital stock of the Lemoore Canal and Irrigation Company, for $20 per acre. Subsequently an additional 1⅛ shares of Lemoore stock was acquired by the investment company.

The stockholders of the investment company subsequently formed the Empire Water Company, with a capital stock of $500,000, which was afterwards reduced to $100,000. The Empire Water Company was incorporated under the laws of the State of California on November 17, 1905.

On January 8, 1906, the investment company, by deed, conveyed to the water company certain ditches and rights of way. This deed expressly provided that no water rights, riparian or otherwise, were transferred to the water company, but that such rights were appurtenant to the lands then owned by the investment company, and that the water company, in its acquisition of the ditches and rights of way, secured only the right to distribute such waters to the lands to which they were appurtenant. On the same date as the execution of this deed a contract was executed between the investment company and the water company whereby it was agreed that the water company might, as the agent for the investment company, distribute water to the lands of the Empire Ranch, owned by the investment company. It was agreed in turn that the investment company, its successors and assigns, should pay annually for water thus furnished and delivered the sum of one dollar ($1) per acre of land owned by them. The investment company acquired the Empire Ranch for the purpose of subdividing it and placing it on the market for sale. This was done; the lands were advertised and sold to a large number of purchasers, many of whom are now protestants in this proceeding. The contracts for the sale of lands by the investment company contain the following provisions:

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That said land is part of a large tract of land owned by first party (Empire Investment Company) and containing about 18,712 acres, and which tract is riparian to a stream of water known as the Kings River and is entitled to use of water from said river for irrigation, stock and domestic purposes; that the Empire Water Company owns a water system extending over said tract, through which it has agreed to distribute and deliver said water to the subdivisions of said lands for the first party and its grantees, which said agreement has been recorded in records of said Kings County, California, in book 3, page 8 of Contract.

It is agreed that with said land shall be conveyed its pro rata of said riparian rights, to wit: the proportion of all the waters of said river to which said large tract is entitled, and which the acreage of the land hereby agreed to be conveyed bears to the acreage of said large tract, and all the rights granted to said land hereby agreed to be conveyed by said water contract, but subject to the rents or charges, the lien, reservations of rights of way and all other terms, covenants and conditions of said water contract, which second party, as part of said purchase, hereby assumes.

The articles of incorporation and by-laws of the Empire Water Company show that it was not organized for the delivery of water to its stockholders, as in the case of a mutual company. It is a proper conclusion to be drawn from the evidence that the water company was organized, properties were transferred to it, and ditches constructed for it by the investment company, for the purpose of creating a corporation which would perform the service of taking the water from its sources or points of diversion, and delivering it to the lands to which it was appurtenant. These lands were intended to be, and were, actually offered for sale and sold to the public generally. The water company, therefore, having no ownership in either the lands or the water, undertook by its original contract to deliver for compensation water to that portion of the public which should thereafter become the owners of the lands to which the water was appurtenant.

Analyzing the evidence submitted in this proceeding and in Case No. 494, *supra*, it appears that applicant herein is acting as a common carrier in delivering water to its consumers, and is charging therefor in accordance with the terms of its contracts. It was contended by representatives of the consumers that applicant is not a public utility because it had contracted for the delivery of water. As a matter of fact, until recently practically all electric power companies required every user of electric energy to sign a contract in which the rate was fixed. Even railroad companies required the traveling public and shippers of freight to sign contracts. Yet no one would claim that these power companies or railroad companies thereby avoided public utility status. We are of the opinion that this company, in thus acting as a common carrier, is clearly a public utility company, delivering water for compensation.

Furthermore, as above stated, this Commission in its Decision No. 494, *supra*, found as a fact that applicant herein was a public service corporation delivering water for compensation, and in its order in that proceeding directed Empire Water Company to deliver and distribute

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the available water supply in a certain manner, which delivery and distribution affected the quantity of water delivered to each of its consumers. This decision became final, and the Empire Water Company has been operating in accordance with its terms. In this proceeding the consumers appear, after three seasons of operation under the Commission's order, and contend that Empire Water Company is not a public service corporation.

After carefully considering all of the evidence before the Commission relative to the public utility status of this company, the Commission finds as a fact that Empire Water Company is a public utility and is transporting and distributing water to a portion of the public for compensation.

We now proceed to an analysis to determine whether or not applicant is entitled to the rate increase requested.

The Commission's auditing department made an investigation of the actual cost of the system, as shown by the company's records. This investigation shows a total cost to applicant of its property of $150,222.34. Mr. J. B. Lippincott, applicant's engineer, estimates that it would cost the sum of $325,450 to reproduce the property at present. The Commission's hydraulic division reports an estimated cost new upon the historical basis, of $166,131. A consideration of the evidence submitted herein relative to the sum upon which interest should be computed to be included in the rate base, leads us to the conclusion that at this time it is fair to the company that a rate schedule be established which will yield interest upon the sum of $166,131. This sum more closely approximates the original cost to applicant of its properties than the sum of $150,222 as shown by the company's records. This is due to the fact, as shown by the Commission's auditing department's investigation, that there was a failure on the part of the company to charge certain expenditures to capital. Mr. Lippincott reports that the sum of $1,363 is a fair amount to be included for replacement of the property. This sum is computed by the 6 per cent sinking fund method. The Commission's hydraulic engineers report the sum of $1,366 computed by the 5 per cent sinking fund method, and the sum of $1,219 computed by the 6 per cent sinking fund method, for a replacement fund.

Maintenance and operation expenses from June 1, 1906, to December 31, 1916, average $10,500 per year. For the years 1915 and 1916 the expense was $15,182 and $13,245 respectively, or an average of $14,213. Mr. Lippincott estimated that a reasonable allowance will be $16,401 per year.

After carefully considering all the evidence it appears fair to include the sum of $15,000 for maintenance and operation expenses, and $1,366 for replacement fund, in the annual charges.

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The Commission's auditing department's report shows that in no year since the inception of this company has its revenue exceeded approximately $16,600. It is therefore apparent that the present rate schedule does not produce a revenue sufficient to return to applicant reasonable annual charges.

Summing the above mentioned annual charges we arrive at $29,656 as the sum to be produced annually from rates.

As hereinbefore stated, consumers residing on the east side of Kings River receive water delivered from the Lemoore Canal and Irrigation Company's system through the ownership of its stock by applicant. They thus get a different character of service than the consumers residing on the west side of Kings River, who receive only water diverted by the Empire Water Company from the Kings River. It appears reasonable, therefore, that a differential rate schedule be established to care for this condition.

It is estimated that the rate schedules set out in the following order will yield the above annual charges:

ORDER.

Empire Water Company having applied to this Commission for authority to increase its rates and charges for the delivery of water to its consumers and for the establishment of rules and regulations, a public hearing having been held, and the matter now being ready for decision:

It is hereby found as a fact that the rates, rules and regulations of Empire Water Company, in so far as they differ from the rates, rules and regulations herein established, are unjust and unreasonable, and that the rates, rules and regulations herein established are just and reasonable rates, rules and regulations;

And basing its order on the foregoing finding of fact and the further findings and statements of fact contained in the preceding opinion;

It is hereby ordered, that Empire Water Company be and it is hereby authorized to file with this Commission within twenty (20) days of the date of this order and thereafter charge the following rates:

For lands located west of Kings River, $1.50 per acre per year;

For lands located east of Kings River, $2 per acre per year.

It is hereby further ordered, that Empire Water Company be and it is hereby authorized to file with this Commission within twenty (20) days of the date of this order, rules and regulations governing the distribution of water which it shall place in effect as amended and corrected by this Commission.

Dated at San Francisco, California, this first day of June, 1920.

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DECISION NO. 7657.

IN THE MATTER OF THE APPLICATION OF CLYDE COMPANY, A CORPORATION, FOR AN ORDER FOR THE ISSUANCE OF A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY.

Application No. 4937.

Decided June 1, 1920.

Winfield Dorn, for Applicant.

Wm. B. Acton, for Bay Point Utilities Company.

BY THE COMMISSION.

OPINION.

Clyde Company applies for certificate that public convenience and necessity require it to operate a water system supplying domestic water to the town of Clyde in Contra Costa County.

A public hearing upon the application was held by Examiner Westover at Clyde.

At the hearing leave was granted to file supplemental application establishing water rates and thereupon evidence was submitted on both matters.

Clyde Company is a California corporation organized April 19, 1918, for the purpose of acquiring and subdividing the townsite of Clyde and constructing residences to house the workers at the Pacific Coast Shipbuilding Company's plant at Bay Point, near Clyde. Its stock is owned by the shipbuilding company, which in turn has pledged it to the United States Shipping Board, Emergency Fleet Corporation, as collateral security for a loan of $750,000, secured also by mortgage on the townsite.

The water system consists of a 200,000-gallon tank and 8-inch, 6-inch and 4-inch cast iron pipe with about 800 lineal feet of standard screw pipe by which water is distributed to 106 service connections. The system has sufficient capacity to serve 300 homes; 103 houses have been built, also a hotel to accommodate 120 guests. At the time of the hearing 16 of the houses were occupied.

Water is purchased at scheduled wholesale rates from Bay Point Utilities Company, which pumps from wells and delivers water into the distribution mains of applicant at a pressure of approximately 65 to 70 pounds. The excess water goes to a 200,000-gallon redwood stave tank on an elevation above the town, controlled by an automatic valve at the tank. No other utility serves water in the town of Clyde.

The report of applicant's construction engineer shows the actual construction cost of the system in 1919, including 5 per cent for contractor's profit, 5 per cent for engineering fee, general overhead at 12 per cent, and one acre tank site, was $56,419.

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The system is so overbuilt for present needs that applicant does not ask an adequate rate based upon cost of operation or investment but requests the establishment of the rates which it has charged and collected since beginning operation in August, 1919. These rates are substantially the retail rates of Bay Point Utilities Company but expressed in gallons because applicant's meters register in gallons. The rates requested are those set forth in the order, except that the minimum payments shown are based upon size of meters.

ORDER.

Clyde Company, a corporation, having applied for certificate that public convenience and necessity require it to operate a domestic water system in the town of Clyde and for authority to charge and collect certain rates therefor, a public hearing having been held upon the application, and the matter being ready for decision;

It is hereby declared that public convenience and necessity require applicant to operate its water system supplying domestic water to the inhabitants of the town of Clyde, Contra Costa County.

It is hereby found that the rates hereinafter set forth are just and reasonable rates to be charged and collected for said service.

Basing its order upon such finding and upon each finding of fact contained in the opinion preceding this order;

It is hereby ordered, that Clyde Company be and it is hereby authorized and empowered to file with the Commission within 20 days hereafter, and thereafter to charge and collect, the following schedule of rates for the water service hereinabove referred to, to wit:

Quantity rates.	Per thousand gallons
For the first 4000 gallons	40 cents
For the next 11,000 gallons	26 cents
For the next 7000 gallons	20 cents
For the next 7000 gallons	18 cents
For all over 29,000 gallons	16 cents

For street sprinkling, sewer flushing and irrigation of trees, shrubbery and lawns in public places, regular meter rates.

Monthly minimum payments for metered service.	
For ⅝-inch meters	$1 00
For ¾-inch meters	1 25
For 1-inch meters	1 75
For 1½-inch meters	2 50
For 2-inch meters	3 25

Dated at San Francisco, California, this first day of June, 1920.

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DECISION No. 7662.

IN THE MATTER OF THE APPLICATION OF SAN FRANCISCO-OAKLAND TERMINAL RAILWAYS FOR AN ORDER AUTHORIZING THE ISSUANCE OF EQUIPMENT NOTES.

Application No. 5760.

Decided June 7, 1920.

A. L. Whittle, for Applicant.

LOVELAND, *Commissioner*.

OPINION.

San Francisco-Oakland Terminal Railways asks permission to issue its notes in the aggregate sum of $124,279.04, and to enter into an agreement with the American Car Company for the purchase of twenty-five double-end safety motor cars. A copy of the agreement is attached to the petition and marked Exhibit "A."

The record shows that applicant is in need of additional equipment, The American Car Company has agreed to construct and build for applicant at a total cost of $161,060.29, including interest, f. o. b. St. Louis, Mo., twenty-five double-end safety motor cars complete with trucks, electrical and airbrake equipment, ready for operation. Of the purchase price, applicant is required to pay $36,781.25 in cash. The balance of the purchase price will be represented by 36 lease warrants or notes of the aggregate face value of $124,279.04. The $124,279.04 is payable in monthly installments ranging from $3,728.68 to $3,175.74. Applicant has the right at its election on the maturity date of any one of the lease warrants or notes to pay all or, in the order of their serial numbers, any of the lease warrants or notes then unmatured, in which event discount on the unmatured lease warrants or notes paid shall be deducted at the rate of 5 per cent per annum from the date of such payment to the respective maturity dates of the notes paid before maturity. The American Car Company retains title to the cars until final payment is made and all of the conditions of the lease and purchase agreement performed.

I herewith submit the following form of order:

ORDER.

San Francisco-Oakland Terminal Railways having applied to the Railroad Commission for permission to issue notes in the aggregate sum of $124,279.04, as provided for in the agreement marked Exhibit "A" attached to the petition herein, a public hearing having been held, and the Railroad Commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reason-

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ably required by applicant and that the expenditures for such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income;

It is hereby ordered, that San Francisco-Oakland Terminal Railways be, and it is hereby, authorized to issue lease warrants or notes in the aggregate sum of $124,279.04, for the purpose of paying in part for the twenty-five cars referred to in the agreement attached to the petition herein and marked Exhibit "A," which agreement is hereby approved, provided:

1. That the authority herein granted will not become effective until applicant has paid the fee prescribed in the Public Utilities Act.

2. That San Francisco-Oakland Terminal Railways will keep such record of the issue and sale of the lease warrants or notes herein authorized and of the disposition of the proceeds as will enable it to file, on or before the twenty-fifth day of each month, a verified report as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this seventh day of June, 1920.

DECISION NO. 7663.

IN THE MATTER OF THE APPLICATION OF ETNA DEVELOPMENT COMPANY FOR AUTHORITY TO INCREASE ITS RATES.

Application No. 4517.

Decided June 7, 1920.

WATER RATES - MAINTENANCE CHARGES—SALARIES.—In establishing a revised schedule of water rates the Commission does not allow, in whole, maintenance charges which include excessive amounts paid to directors and other officials of the company. A water utility which has disregarded recommendations heretofore made with reference to the economical management of its plant will not be permitted to increase rates until steps have been taken towards improvements in management and service. Revised schedule of rates established; provided, applicant shall first make specified repairs and improvements to its plant.

Taylor and Tebbe, by *R. L. Taylor*, for Applicant.

Luttrell and Ley, by *C. J. Luttrell*, for Board of Trustees of town of Etna.

BY THE COMMISSION.

OPINION.

Etna Development Company is an incorporated public utility water company engaged in the business of supplying water for domestic and

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industrial purposes to consumers in and in the vicinity of Etna, Siskiyou County, California.

In the above entitled proceeding applicant asks for authority to increase its rates for service, it being alleged that the rates at present in effect are noncompensatory and insufficient to produce operating expenses, depreciation and interest return on its investment. The rates at present in effect were established by this Commission in Decision No. 2789, issued September 30, 1915, *In the Matter of the Application of Etna Development Company for an order authorizing increase in the rates for water in Etna, Siskiyou County*, Application No. 1868, Vol. 8, p. 170, Opinions and Orders of the Railroad Commission of California. In said decision the Commission directed applicant's attention to the unusually high maintenance and operating expenses for a utility of this size and suggested that a material decrease in these expenses would result from the renewal of the badly deteriorated pipe mains, together with a reduction in the amounts paid for directors' fees and for salaries. Attention was also called to the lax methods of making collections.

A public hearing was held in this proceeding before Examiner Satterwhite, of which hearing all interested parties were notified and given an opportunity to appear and be heard.

The board of trustees of the town of Etna filed a formal protest to the granting of an increase in rates, alleging that the salaries paid and overhead operating expenses were disproportionate to the service rendered by the company; that applicant has neglected to make repairs of the badly deteriorated pipe mains, resulting in large waste of water; and that the water supply furnished from the ditch is unsanitary and impure. The State Board of Health has recently ordered the ditch fenced, however, which will no doubt result in an improvement of the sanitary conditions.

A field investigation was made by Mr. H. A. Noble, one of the Commission's hydraulic engineers. The records of the company show that it expended the sum of $2,194.16 in 1917 and $2,012.45 in 1918 for maintenance and operation. These amounts, however, include unusually high overhead expenses for directors, secretary and attorney as compared with similar utilities of like size, and it is unreasonable that the consumers should be compelled to pay increased rates to cover these excessive charges.

It appears from the evidence that applicant has generally disregarded the recommendations set forth by the Commission's decision in Application No. 1868, above referred to, with reference to the more economic and efficient management of its system. In said decision the Commission found that the sum of $22,251 was a fair sum to

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be used for the purposes of that proceeding as a rate base, and that the sum of $319 was a fair replacement annuity. No replacement of any of the pipes or additions to capital have been made since the date of the above mentioned appraisement, and it appears that it is fair to include interest upon this amount in the annual charges for the purposes of this proceeding.

Taking into consideration the above facts and assuming that the deteriorated pipes will be replaced or repaired, and allowing for increased costs of material and labor, it is estimated that $1,800 is a fair allowance for the annual maintenance and operation expenses of this utility.

The income produced by the rate schedule now in effect totalled $3,416.70 for 1916, $3,549.80 for 1917, and $2,812.80 for 1918, excluding the amounts listed for uncollected bills of $293.60, $325.65 and $360.30 for these years, respectively. The decrease shown for 1918 is accounted for mainly by the discontinuance of certain industrial and domestic services which will probably not be resumed.

Summarizing the estimated annual charges as given above, including maintenance and operation expenses, depreciation allowance and a fair interest return, we obtain a total of $3,900 as a reasonable amount to be produced by rates from the consumers.

It is evident that the present rate schedule will not produce this amount. The rate schedule in the following order has been computed and is designed to yield the estimated annual charges.

The rates established in the following order are based upon the assumption that adequate service will be rendered by applicant. To accomplish this, applicant must make certain improvements to its system, and therefore the rates established are expressly conditioned upon these improvements being made.

ORDER.

Etna Development Company having applied to this Commission for authority to increase its rates, a public hearing having been held in said application, and the Commission being fully apprised in the premises:

It is hereby found as a fact that the present rate schedule of Etna Development Company, in so far as it differs from the rate schedule herein set out, is unjust and unreasonable, and that the rates herein established are just and reasonable rates to be charged by said company for water.

And basing its order upon the foregoing finding of fact and the other statements of fact contained in the opinion preceding this order;

It is hereby ordered, that Etna Development Company be and it is hereby authorized and directed to file with this Commission the rates

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for water established in the following schedule, upon the following conditions and not otherwise:

1. Etna Development Company shall immediately proceed to put its system in such condition as will enable it to render good and adequate service to its consumers, and within twenty (20) days of the date hereof plans and specifications of the necessary repairs shall be submitted to the Railroad Commission for its approval.

2. Upon the satisfactory completion of the repairs contemplated, Etna Development Company shall advise the Railroad Commission of said fact in writing, and ten (10) days after the acceptance of these repairs as adequate the following schedule of rates shall become effective:

RATE SCHEDULE.

Monthly flat rates. (To apply to all users on separate premises in whatever ownership.)

1. For residences of not more than 4 rooms occupied by single families	$1 00
For each additional room	10
Additional for each bathtub or patent toilet	10
2. Private garages, where cars are washed on the premises, for each auto kept	20
3. For each private barn, not more than two horses or cows	50
4. Private boarding houses, for each boarder in addition to the family	10
5. Hotels and lodging houses:	
Dining room	2 00
For each room with water tap	20
For each room without water tap	10
For each private bathroom	25
6. Public toilets in hotels, lodging houses and public places	50
For each additional toilet	25
7. Public urinals in hotels, office buildings, pool rooms, or any public place for each bowl where a drain is used, each	50
With automatic trap flusher, each	75
8. For one public bathtub in hotels, lodging houses, barber shops and bathing establishments	1 25
For each additional public bathtub	50
9. Offices or rooms in upper stories of buildings so occupied, each	25
10. Livery stables and stock yards, per average number of stock fed, each	20
11. Barber shops, for single chair	1 25
For each additional chair	50
12. Bakeries, in addition to the store rate, according to monthly use of flour, for each barrel used	05
13. Public garages, average 4 autos or less	2 50
For each additional auto	50
14. Soda fountains, and soft drink, ice cream, or lunch places, either alone or in connection with other business	1 40
15. Drug stores	1 25
16. Photograph galleries or where water is used for photo printing and developing, in addition to the store rate	1 25
17. Blacksmith, wagon and machine shops	1 00
18. Restaurants and cafes, per unit of seating capacity	15
19. Laundries and wash houses	$2.00 to 5 00
20. For small stores and shops not otherwise listed	75
21. For large stores and warehouses not otherwise listed	1 50
22. Living rooms in connection with stores and shops, additional to store rate	50
23. Additional for each bathtub or toilet in 10 to 21, inclusive	20
24. Irrigation of garden and grounds payable every month in the year, per 100 square feet irrigated	03
25. Water for industrial uses or for all purposes not specified in above schedule charged for at meter rates.	

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26. Fire hydrants:	
For each hydrant owned by the town	75
27. Sprinkling roads and streets by the town, measured by water tank capacity, per 100 cubic feet	08
28. Automatic sewer flushers, according to measured or computed quantity of water used, per 100 cubic feet	08

Meter rates. (To apply to all users on separate premises in whatever ownership.)

1. Monthly minimum payments:	
For ¾ or ⅝-inch meters	$1 00
For 1-inch meter	1 50
For 1½-inch meter	2 00
For 2-inch meter	2 50
2. Monthly quantity rates:	
For use from 0 to 2000 cubic feet, per 100 cubic feet	11
For use over 2000 cubic feet, per 100 cubic feet	08
3. Meters may be installed at the option of the consumer or the company.	

Dated at San Francisco, California, this seventh day of June, 1920.

DECISION NO. 7664.

IN THE MATTER OF THE APPLICATION OF WINTERHAVEN IMPROVEMENT COMPANY, A CORPORATION, AND THE YUMA LIGHT, GAS AND WATER COMPANY, A CORPORATION, FOR AUTHORIZATION TO SELL AND BUY CERTAIN ELECTRICAL PROPERTY.

Application No. 5745.

Decided June 8, 1920.

BY THE COMMISSION.

OPINION.

This is an application for authority by Winterhaven Improvement Company to sell, and Yuma Light, Gas and Water Company to purchase, an electrical distribution system located in the townsite of Winterhaven, Imperial County.

Winterhaven Improvement Company owns and operates an electrical distribution system in the town of Winterhaven, Imperial County, and supplies therefrom certain consumers with electricity. Yuma Light, Gas and Water Company owns and operates an electrical distribution system in the adjoining territory, supplying certain other consumers with electricity, and also the Winterhaven Improvement Company with electricity, which the latter distributes over its own system.

It appears that the Winterhaven Improvement Company is unable to give proper service on account of the small number of consumers it supplies and the Yuma Light, Gas and Water Company, by reason of its service to a larger number of consumers in the immediate vicinity, will be better able to supply proper service to the inhabitants of Winterhaven.

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The application states that the property to be transferred cost originally about $1,500 and that the present value thereof is $1,000.

The parties hereto entered into an agreement, dated May 15, 1920, by which Winterhaven Improvement Company agrees to sell its entire electrical equipment to the Yuma Light, Gas and Water Company for a consideration of $1,000. The agreement sets forth a detailed description of the electrical distribution system, equipment, machinery and appurtenances to be transferred, and further provides for the transfer of such rights, permits or franchises now held and enjoyed by Winterhaven Improvement Company. The agreement is signed by the owners of more than two-thirds of the outstanding capital stock of Winterhaven Improvement Company consenting to the proposed sale of its property.

ORDER.

The Railroad Commission of the State of California being of the opinion that the granting of the authority herein sought will be in the public interest, and that a hearing is not necessary in this matter;

It is hereby ordered, that Winterhaven Improvement Company be and it is hereby authorized to sell the electrical properties described in the agreement attached to the application herein to Yuma Light, Gas and Water Company.

It is hereby further ordered, that Yuma Light, Gas and Water Company be and it is hereby authorized to purchase said electrical properties for the sum of $1,000 in cash.

The authority herein granted is upon the following conditions and not otherwise:

1. Within sixty days after the acquisition of the electrical properties of Winterhaven Improvement Company, Yuma Light, Gas and Water Company shall file with the Railroad Commission, for approval, a stipulation duly authorized by its board of Directors declaring that Yuma Light, Gas and Water Company, its successors and assigns, will never claim in any proceeding of any character before the Railroad Commission or any other public authority any value for the franchises or permits which Yuma Light, Gas and Water Company may acquire from Winterhaven Improvement Company in excess of the amount paid by the original grantee of such franchises or permits to the public authority granting the same, which amount shall be specified in said stipulation.

2. The consideration at which the public utility properties are herein authorized to be transferred shall not be considered as a measure of value of said properties for rate-making or any purpose other than the transfer herein authorized.

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3. The authority herein granted will apply only to such transfer as may be made on or before sixty days from the date of this order.

It is hereby further ordered, that Yuma Light, Gas and Water Company shall file with the Railroad Commission within twenty days from the date of acquisition of the electric system of the Winterhaven Improvement Company, such amendments to its schedules of electric rates now on file with the Railroad Commission as shall be necessary to extend said rate schedules to the service of consumers thus acquired.

Dated at San Francisco, California, this eighth day of June, 1920.

DECISION NO. 7665.

IN THE MATTER OF THE APPLICATION OF SOUTHERN CALIFORNIA EDISON COMPANY FOR AUTHORITY TO SELL AND CONVEY TO CITY OF LOS ANGELES, A MUNICIPAL CORPORATION, AN ELECTRIC DISTRIBUTION LINE LOCATED ON PIER A STREET, CITY OF LOS ANGELES.

Application No. 5730.

Decided June 8, 1920.

BY THE COMMISSION.

OPINION.

Southern California Edison Company applies herein for authority to sell and convey to the board of public service commissioners of the city of Los Angeles, for and on behalf of said city of Los Angeles, an electric distribution line located on Pier A street in the city of Los Angeles, consisting of certain primary circuits, street lighting circuits, crossarms, insulators and appurtenances, transformers, service circuits, street lighting fixtures, etc., installed on and supported by fifty-one poles belonging to the harbor department of the city of Los Angeles, and on three poles owned by applicant as tenant in common with The Pacific Telephone and Telegraph Company, all of which is more particularly described in the application herein.

Applicant reports that it is willing to sell said distribution lines and appurtenances, and said board of public service commissioners of the city of Los Angeles is desirous of buying said property, for the sum of $4,035.

It appears that by reason of the fact that the city of Los Angeles is engaged in the operation of an electric system that the property to be transferred and the consumers now supplied therefrom by applicant can be more advantageously operated and supplied by the city of Los Angeles, and further, that the city of Los Angeles will assume all obligations now resting upon applicant to serve with electric energy

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the consumers now being served by applicant from the distribution line to be transferred.

ORDER.

The Railroad Commission of the State of California being of the opinion that the granting of the authority herein sought will be in the public interest, and that a hearing is not necessary in this matter:

It is hereby ordered, that Southern California Edison Company be and it is hereby authorized to sell and convey to the board of public service commissioners of the city of Los Angeles, for and on behalf of the city of Los Angeles, for the sum of $4,035, those certain electric distribution lines and appurtenances described in this application.

The authority herein granted is subject to the following conditions:

1. Southern California Edison Company shall file with the Railroad Commission a verified copy of the bill of sale or deed within thirty days after the transfer of the properties.

2. The authority herein granted will apply only to such sale and transfer as may be made on or before ninety days from the date of this order.

Dated at San Francisco, California, this eighth day of June, 1920.

DECISION NO. 7666.

IN THE MATTER OF THE APPLICATION OF STATE CENTER WAREHOUSE AND COLD STORAGE COMPANY ET AL., FOR AUTHORITY TO INCREASE AND ESTABLISH RATES, RULES AND REGULATIONS AFFECTING THE STORAGE AND HANDLING OF MERCHANDISE AT FRESNO, CALIFORNIA.

Application No. 5481.

Decided June 8, 1920.

Short and Sutherland, by *W. A. Sutherland*, for Applicants.

BY THE COMMISSION.

OPINION.

In this proceeding, applicants request authority to place in effect a specific schedule of rates, rules and regulations, as set out in detail in Exhibit "A" accompanying the application. Five of the applicants involved, namely, Owl Transfer Company, Eagle Transfer Company, Valley Van and Storage Company, Valley Truck and Transfer Company, and Commercial Transfer, have no rate schedules on file with the Railroad Commission, warehouse service in these instances having heretofore been confined almost exclusively to the transfer and temporary storage of household goods in a manner not covered by the Public

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Utilities Act. Being now about to engage in, or extend, operations in a manner that would constitute each of them a public warehouseman, rate schedules should at once be filed as the law requires.

State Center Warehouse and Cold Storage Company is engaged in the business of general storage, and to a more limited extent, it also operates cold storage warehouses, all of which service is subject to control by the Railroad Commission. Schedules covering both classes of service were published and filed by the company in March, 1919, the rates for cold storage not being affected by the application. Merchants Warehouse Company and Olufs Warehouse Company operate under schedules filed in 1912. In their present form these tariffs are incomplete, having been in effect without change for eight years. They cover only a few commodities, and the storage rates in most instances include other service not within the Commission's jurisdiction.

As previously stated, applicants submitted with their petition a definite schedule showing rates, rules and regulations, which they desire to have approved and substituted for schedules now in effect. It is stated in the application that as to State Center Warehouse and Cold Storage Company, the proposed schedule (Exhibit "A") is identical in all respects with that now on file, except that an increase in charges for labor furnished to handle stored merchandise would result. It is further represented in the application that no comparison of the proposed rates with those on file by Merchants Warehouse Company and Olufs Warehouse Company can be made, for the reason that the latter's tariffs "contain no specific schedule of charges for labor in handling merchandise stored."

A check of the proposed schedule against the schedule in effect by State Center Warehouse and Cold Storage Company shows an increase of 25 per cent in the present charge of 54 cents per ton for the labor of handling commodities into and from applicants' warehouses. Other changes proposed would bring about minor increases for loading and unloading cars, for rental of space in warehouses, and for certain special services. The storage rates on a few commodities would also be affected, some being increased and others reduced.

The proposed increases are based upon the contention that since the filing of schedules now in effect operating costs, with particular reference to warehouse labor, have so increased that the business of applicants can not be continued under the present rates without loss. It is also affirmed that the storage business of applicants is substantially similar and that their rates, rules and regulations should be identical and on the basis of the proposed schedule, Exhibit "A."

At the hearing held in Fresno on May 13, 1920, it was shown by the testimony that since October, 1919, applicants have been obliged to

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pay at the rate of 50 cents per hour for warehouse labor costing prior to that time but 35 cents per hour, an increase of 43 per cent. Operating statements submitted on behalf of two of the applicants show results for the year 1919, as follows:

	Revenue	Expense	Loss
State Center Warehouse and Cold Storage Company	$27,401 62	$28,571 91	*$1,170 29
Merchants Warehouse Company	11,355 66	11,455 99	100 33

*Includes cold storage; $1701.64 "dry" storage alone.

While the statement of the Olufs Warehouse Company for the same period is more favorable, the testimony shows that the accounts of this applicant have not been kept in a manner that would reflect the true situation as to the warehouse business alone. Increased operating costs, however, as they are affected by warehouse labor, are identical.

No one appeared at the hearing to protest against the proposed charges, although the record shows that individual notice was mailed to each patron of the warehouses. We believe that the increases requested have been justified and should be granted.

ORDER.

State Center Warehouse and Cold Storage Company, Merchants Warehouse Company, Olufs Warehouse Company, Owl Transfer Company, Eagle Transfer Company, Valley Van and Storage Company, Valley Truck and Transfer Company, and Commercial Transfer, having applied to this Commission for authority to increase and adjust warehouse rates, and to establish rules and regulations for warehouse service at Fresno, as per Exhibit "A" accompanying the application, a public hearing having been held thereon, the matter having been submitted, and the Commission being fully apprised in the premises:

It is hereby found as a fact that the rates, rules and regulations proposed by applicants and set forth in Exhibit "A" accompanying the application, are just and reasonable, and that schedules now in effect by State Center Warehouse and Cold Storage Company, Merchants Warehouse Company and Olufs Warehouse Company are unjust, unreasonable and inadequate in so far as they are not in accord with said Exhibit "A."

Basing its order upon said finding of fact;

It is hereby ordered, that State Center Warehouse and Cold Storage Company, Merchants Warehouse Company, Olufs Warehouse Company, Owl Transfer Company, Eagle Transfer Company, Valley Van and Storage Company, Valley Truck and Transfer Company, and Commercial Transfer, be and they are hereby authorized to publish and

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file, to become effective five (5) days thereafter, schedules showing rates, rules and regulations for service at their several warehouses as set out in Exhibit "A," filed with said application.

Dated at San Francisco, California, this eighth day of June, 1920.

DECISION NO. 7670.

IN THE MATTER OF THE APPLICATION OF ROBERT L. SWANSON FOR AUTHORITY TO INCREASE TELEPHONE SERVICE RATES.

Application No. 5206.

Decided June 8, 1920.

TELEPHONE RATES—PRIVATE OWNERSHIP OF EQUIPMENT.—In establishing rates for a public telephone system a portion of the equipment of which is privately owned, applicant is directed to take immediate steps to acquire title to all appliances used and to charge all subscribers a uniform rate for each particular class of service. Subscribers refusing to sell equipment to be charged the same rate as other patrons.

Robert L. Swanson, in propria persona.

BY THE COMMISSION.

OPINION.

Applicant herein applies for authority to increase rates for telephone service on his lines near Red Bluff.

A public hearing on the application was held by Examiner Westover at Red Bluff.

Applicant's system consists of toll and exchange lines, serving an area which extends from Red Bluff to Manton, a distance of some forty miles, with central office exchanges located at Berendos, Paynes Creek and Manton. The subscribers located in this area are widely scattered.

Applicant maintains that he is at present receiving practically no compensation for his own labor and that, owing to the high cost of labor and material and living, it is impossible to continue furnishing service at his present rates. These rates are as follows:

Number stations	Rate per year	Number stations	Rate per year	Number stations	Rate per year
2	$15 00	5	$10 00	25	$6 00
32	12 60	1	9 00	15	3 00
3	12 00	2	8 00	—	
—		—		40	
37		8			

The above classification is not arranged on the basis of the kind of service furnished, but is graded according to the circumstances of ownership in each case. In some cases, some of the subscribers own their own instruments; in other cases, they furnish the poles or aid in the construction of the line in one manner or another. The third group

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shown above contains only farmer lines, by which is meant lines owned entirely by the subscribers. In the case of those paying $6 annually, the lines are supposed to be maintained by the company.

The applicant proposes the following rates:

37 subscribers in the first	group above	$18 00 per year
8 subscribers in the second	group above	10 00 per year
40 subscribers in the third	group above	6 00 per year

There is in effect at present a toll rate for nonsubscribers who wish to talk over the company's lines to Red Bluff of 25 cents for three minutes and 5 cents for each additional minute. No change is desired in this toll rate.

Mr. F. D. Andrews, one of the Commission's engineers, inspected the system and made an inventory of it, to which he applied unit costs and estimated overhead expenses, resulting in a total reproduction cost, on an historical basis, of $9,117. The reproduction cost, less depreciation, which has accrued on the property, he found to be the sum of $5,471.

At present rates, the gross annual revenue with the present number of subscribers would amount to $764. The actual operating expenses during the year 1919 amounted to $490.50. These expenses are below normal chiefly for the reason that the owner, acting as manager, and the operator at Berendos, receive no salary.

We have, therefore, allowed for the future $10 per month for the Berendos operator, $30 per month for manager's salary and $4 per month for such use as is made of horse and cart. While the rates hereinafter provided do not contemplate a full return upon the investment and are insufficient to provide normal operating expenses, it must be borne in mind that this plant serves a widely scattered and thinly settled territory and has an unduly large investment in proportion to the extent of its business.

The classes of service which the applicant now provides and the rates now in effect, as well as the rates proposed by applicant, are not in accordance with generally accepted standards. We are of the opinion that the rates provided in the order are more in accordance with these standards and will provide revenue greater than that which would be secured from the rates which the applicant proposes.

Referring to the schedule of rates set forth in the order, the one, two, four and ten-party line service therein provided should be confined to subscribers located at comparatively short distances from any central office. The ten and twelve-party line suburban service is intended for subscribers located at considerable distances, such as two or three miles and greater, from central offices.

These rates are based upon the classes of service shown, which are now actually being provided. The rates in each case contemplate ownership

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and maintenance of the lines and telephones by the applicant except in the case of farmer lines. Where farmer line service is being given to subscribers owning their own telephones who are on the same line with subscribers who do not own their equipment, the company should reimburse the former in service or otherwise for such equity in the lines as they possess, and then assume the ownership and maintenance. If any subscriber should refuse to dispose of his interest, the company may, nevertheless, charge the uniform rate for service which it would otherwise be entitled to charge for the class of service provided. We suggest that if any of the farmer line subscribers desire to have the company maintain their lines the company should do so and bill the subscribers for the cost of such maintenance.

Except that bills may be rendered and collected annually in advance for farmer line service, bills should be rendered and collected monthly in advance in accordance with the general practice as provided in the Commission's Decision No. 2879 in Case No. 683.

ORDER.

Robert L. Swanson, doing business under the fictitious name of Swanson Telephone System, having filed an application with the Railroad Commission for authority to increase rates for telephone service in territory served by his system in Tehama County, California, and a public hearing having been held:

It is hereby found that the rates heretofore charged for telephone service by said applicant are unjust and unreasonable and that the rates hereinafter provided are just and reasonable. Basing its conclusion herein upon said finding and upon the facts set forth in the opinion preceding this order;

It is hereby ordered, by the Railroad Commission, that said Robert L. Swanson be and he is hereby authorized to file with the Railroad Commission within thirty (30) days from the date of this order, and thereafter to charge and collect, rates in accordance with the following schedule:

Class of service	Rate per month
1-party service	$2 00
2-party service	1 75
4-party service	1 50
10-party service	1 25
10-party suburban service	1 75
12-party suburban service	1 50
Berendos-Manton through line service	1 00
Farmer line service	4 20 per year

Toll switching rates to continue as at present.

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The authority herein is granted subject to the condition that adequate and efficient telephone service shall be provided at all times for all classes of service.

Dated at San Francisco, California, this eighth day of June, 1920.

DECISION No. 7671.

IN THE MATTER OF THE APPLICATION OF CALEXICO COMPRESS COMPANY FOR AUTHORITY TO ADJUST AND ESTABLISH RATES FOR STORING AND HANDLING COTTON AT CALEXICO.

Application No. 5397.

Decided June 8, 1920.

J. S. Larew, for Applicant.

BY THE COMMISSION.

OPINION.

Applicant herein requests authority to establish rates for storing and handling cotton at Calexico, Imperial County.

A public hearing upon the application was held by Examiner Westover at El Centro.

It appears that 74,057 bales of cotton were handled during the year ending June 30, 1919, against 25,737 bales received for the year ending June 30, 1915. During said period, excepting the first year of operation, which involved abnormal installation expenses, the cost per bale to operate applicant's plant advanced from $0.7191 for the crop handled during the season 1915–16 to $1.2083 for the 1918–19 crop, or 68 per cent. The chief item of increased expense is that of labor, being $0.2794 for the 1915–16 season and $0.5222 for 1918–19, an increase of 87 per cent. Miscellaneous expenses amounting to $0.20 per bale in 1916 rose to $0.4181 for 1919.

Rate schedules filed by applicant in June, 1916, carry rates based upon conditions then existing. These conditions as they affected operating costs were so demoralized by the war that applicant found it necessary to confer with interested growers, bankers and dealers with the view to establishing a higher schedule of charges to meet the additional expense brought about largely by the drafting of labor into government service. The rates which applicant now desires to have approved and established by the Commission are the rates which were agreed upon at said conference and are set forth in the application as Exhibit "I." Through a lack of knowledge of the legal requirements, an application was not previously filed. The schedule of rates for

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which applicant now asks approval has been in effect without protest since 1918.

It was further shown that the total increase for labor since 1914–15 to date is 100 per cent; that bagging which is used extensively in repair work has advanced more than 100 per cent, and that twine, rivets and bands now cost approximately double the prices in effect four years ago. No one appeared at the hearing to oppose the application, both service and charges made therefor being apparently satisfactory.

ORDER.

Calexico Compress Company, a warehouseman, having made application to the Railroad Commission for authority to adjust and establish rates for storing and handling cotton, a public hearing having been held thereon, the matter having been submitted, and the Commission being now fully apprised:

It is hereby found as a fact that the rates and regulations prepared by applicant are just and reasonable and that the rates to be superseded and cancelled thereby are unjust and noncompensatory.

Basing our order upon the above finding of fact and upon the facts set forth in the opinion preceding this order;

It is hereby ordered, that Calexico Compress Company be and it is hereby authorized to file with the Commission within twenty days from date hereof and thereafter charge and collect the rates and charges for storing and handling cotton at Calexico which are set forth in Exhibit "1" attached to and made part of the application herein.

Dated at San Francisco, California, this eighth day of June, 1920.

DECISION No. 7672.

IN THE MATTER OF THE APPLICATION OF GEORGE M. PHELPS FOR AUTHORITY TO INCREASE THE RATE CHARGED FOR WATER SERVED TO CERTAIN CONSUMERS FOR IRRIGATION USE.

Application No. 5164.

Decided June 8, 1920.

George M. Phelps, in propria persona.

BY THE COMMISSION.

OPINION.

George M. Phelps applies for authority to increase the rate charged for irrigation water served to certain of his neighbors from a pumping plant upon his farm located at the corner of Olive and Baldwin avenues, near San Gabriel, Los Angeles County.

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A public hearing upon the application was held by Examiner Westover in Los Angeles.

Mr. Phelps now charges those located at a lower elevation than the plant a rate of 90 cents per hour, and those located at a higher elevation than the plant a rate of $1 per hour for the entire output of the pump. This output appears to be approximately 1.07 cubic feet per second or 54 miner's inches, as commonly used in southern California. Applicant showed that under existing conditions he is operating at a loss, and asks that he be granted a rate of $1.25 per hour for the output of his plant. He expects to serve only about 78 acres in 1920, which is approximately one-half of the area served in 1919. This is due to certain consumers obtaining their principal water supply for irrigation from other sources.

The estimated cost of applicant's plant is about $5,000. Annuity for replacement is computed at about $215 and maintenance and operation in 1919, excluding taxes and attendance, cost $705.88. During the year 1919 the plant was operated 1449 hours and the gross revenue was $1,346. If the rate last year had been $1.25 per hour as requested herein, the revenue would have covered an allowance of 25 cents per hour for attendance, taxes and incidentals. From the above facts it appears that the application should be granted.

ORDER.

George M. Phelps having applied for authority to increase the rate charged for irrigation water served to his consumers, a public hearing having been held, and the Commission being fully apprised in the premises:

It is hereby found as a fact that the rates now charged by George M. Phelps, in so far as they differ from the rates herein established, are unjust and unreasonable and that the rate herein established is just and reasonable; and

Basing its order on the foregoing finding of fact and upon the further statements of fact contained in the opinion which precedes this order;

It is hereby ordered, that George M. Phelps be and he is hereby authorized to file with the Railroad Commission within twenty (20) days from the date of this order and thereafter charge the following rate:

For each hour plant is operated at full capacity in furnishing irrigation water to a consumer, the charge shall be	$1 25

The minimum charge shall be for one hour's operation of the plant.

It is further ordered, that the flow furnished shall be not less than the standard flow heretofore furnished, *i. e.* a head of three and five-

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eighths (3⅜) inches over a twenty-four (24) inch rectangular weir, with full contractions, equivalent to approximately one and seven-hundredths (1.07) cubic feet per second.

Dated at San Francisco, California, this eighth day of June, 1920.

DECISION No. 7673.

IN THE MATTER OF THE APPLICATION OF IMPERIAL COMPRESS COMPANY FOR AUTHORITY TO ADJUST AND ESTABLISH RATES FOR STORING AND HANDLING COTTON AT IMPERIAL.

Application No. 5398.

Decided June 8, 1920.

J. S. Larcar, for Applicant.

BY THE COMMISSION.

OPINION.

Applicant herein requests authority to establish rates for storing and handling cotton at Imperial.

A public hearing upon the application was held by Examiner Westover at El Centro.

This proceeding involves similar features to that of application of Calexico Compress Company, No. 5397. Both companies are engaged in storing and handling cotton in Imperial Valley. They are under the same management, their rates, rules and regulations are the same, and their operating expenses are of a similar nature. The two applications were heard together, and the same testimony, in so far as germane, was offered in support of each. For further details reference is hereby made to decision upon Application No. 5397. The testimony justifies granting the application for authority to maintain the schedule now in effect, set forth as Exhibit "D" in the application.

ORDER.

Imperial Compress Company having applied to the Railroad Commission for authority to establish rates for storing and handling cotton as set out in Exhibit "D" accompanying the application, a public hearing having been held thereon, the matter having been submitted, and being now ready for decision:

It is hereby found as a fact that the schedule of rates proposed is just and reasonable for the service involved.

Basing its order upon the foregoing finding of fact and upon the facts set forth in the opinion preceding this order;

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It is hereby ordered, by the Railroad Commission, that Imperial Compress Company be and it is hereby authorized to file with the Commission within 20 days from date hereof and thereafter charge and collect the rates and charges for storing and handling cotton at Calexico, which are set forth in Exhibit "D" attached to and made part of the application herein.

Dated at San Francisco, California, this eighth day of June, 1920.

DECISION NO. 7675.

IN THE MATTER OF THE APPLICATION OF HONEY LAKE VALLEY MUTUAL TELEPHONE ASSOCIATION, A CORPORATION, FOR PERMISSION TO REVISE ITS PRESENT SCHEDULE OF RATES.

Application No. 4984.

Decided June 8, 1920.

H. A. Encell and *E. T. Busselle,* for Applicant.

BY THE COMMISSION.

OPINION.

Honey Lake Valley Mutual Telephone Association, applicant in this proceeding, owns and operates a small telephone system in Lassen County, California, by which it provides telephone service in the town of Buntingville and adjacent territory. In its petition applicant sets forth that the present rates, which were established by an order of this Commission issued during the year 1914, are not now sufficient by reason of advanced costs of operation to meet the present requirements of its business and its obligations to its stockholders. It is, therefore, seeking authority to increase these rates.

Hearing upon this application was held in Susanville before Examiner Westover.

The rates heretofore established by order of the Commission, herein referred to as the present rates, and the rates which applicant now proposes to charge, herein referred to as the proposed rates, are as follows:

	Present rates	Proposed rates
Business stations	$2 50	$3 00
Stations located within 5 miles of the town of Susanville and connected directly with the Susanville exchange of the Nevada, California and Oregon Telegraph and Telephone Company	2 00	2 50
Other residence stations	1 50	2 00
Extension telephones		1 00
Extension bells		25

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Applicant has submitted as its Exhibit "A" an inventory and appraisal of its property, compiled as of January 1, 1918, by Mr. E. T. Busselle, who appeared as engineer for the applicant. In this appraisal, the valuation is shown as follows:

Reproduction cost new	$42,527 00
Present value	33,922 00

It was admitted by Mr. Busselle at the hearing that the appraiisal herein referred to was not made for rate fixing purposes and that applicant does not urge this property value as a rate base.

The Commission's order, Decision No. 1716, decided August 5, 1914, establishing the rates above referred to, is based upon operating conditions then existing and upon a property valuation which the Commission then found to be approximately $19,000. Since that time, applicant has added to plant in additions and betterments approximately $2,000. Applicant now claims that a reasonable valuation for rate fixing purposes is approximately $23,000 or $24,000.

According to the annual reports on file with the Commission, applicant has earned a small income, exclusive of annual interest charges, during the years 1917 and 1918, but after deducting interest charges a deficit is shown. The annual report for the year 1919 shows a deficit of $381.24, exclusive of interest and taxes, and a deficit of $1,304.65 after payment of these items. An examination of applicant's income statements, made by the Commission's telephone and telegraph engineer, discloses certain irregularities in the charges made by applicant to operating income and expense during these years, the correction of which, however, would still show insufficient net earnings. Since this application was prepared, the management of the company has been changed through a transfer of stock ownership and the operating expenses heretofore incurred can not fairly be taken as a basis for estimating future expenses of operation. It appears, however, that under economic management satisfactory service can not be maintained with present revenues and that applicant is entitled to an increase in rates.

All of applicant's present service is provided by party lines, many of them extending for considerable distances into the rural districts, and many of them now are heavily overloaded. Complaint has not been made as to the adequacy or efficiency of this service, but it is nevertheless apparent that satisfactory service can not be provided with lines as heavily overloaded as are applicant's present lines. The present management has declared its intention of promptly providing facilities to divide the present overload and limit the number of

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stations per line to ten stations as far as it may be practicable to do so. This improvement will improve the service and it should be made without delay. It is also to be noted that the present management is now in the hands of competent telephone men and we feel assured that the public interest will be benefitted by improved service.

It is our opinion that the proposed rates hereinabove set forth are just and reasonable rates in this case and that applicant should be authorized to make them effective, present rates for other classes of service and present rules and regulations to continue in effect until the further order of the Commission.

ORDER.

Honey Lake Valley Mutual Telephone Association, a corporation, having filed its application with the Railroad Commission for authority to increase its rates for telephone service in the town of Buntingville, Lassen County, California, and adjacent territory, and a public hearing having been held:

It is hereby found that the rates heretofore charged for telephone service by said applicant are unjust and unreasonable and that the rates hereinafter provided are just and reasonable; and basing its conclusions thereon;

It is hereby ordered, that said applicant be and it is hereby authorized to file with the Railroad Commission and place in effect within thirty days from the date of this order the schedule of rates set forth below:

	Proposed rates
Business stations	$3 00
Stations located within 5 miles of the town of Susanville and connected directly with the Susanville exchange of the Nevada, California and Oregon Telegraph and Telephone Company	2 50
Other residence stations	2 00
Extension telephones	1 00
Extension bells	25

The authority herein is granted subject to the condition that adequate and efficient telephone service shall be provided at all times to all of applicant's patrons and subscribers.

Dated at San Francisco, California, this eighth day of June, 1920.

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Decision No. 7677.

IN THE MATTER OF THE APPLICATION OF UNION TRACTION COMPANY, A CORPORATION, FOR AN ORDER INCREASING ITS PASSENGER FARES IN THE CITY OF SANTA CRUZ AND ON ITS SUBURBAN LINE TO CAPITOLA, COUNTY OF SANTA CRUZ, CALIFORNIA.

Application No. 5637.

Decided June 8, 1920.

Upon a showing that its present rates do not provide sufficient revenues to permit the maintenance of a depreciation fund or to pay its bond interest, applicant is authorized to increase its fares to 10 cents per one-way trip or eight tickets for 50 cents to be effective within twenty days.

S. Waldo Coleman, for Applicant.

LOVELAND, *Commissioner*.

OPINION.

On April 29, 1920, the Union Traction Company filed this application for authority to increase its present one-way passenger fares from six (6) to ten (10) cents and to sell books of tickets containing eight coupons at rate of fifty (50) cents, equivalent to 6¼ cents per ride, these tickets good any time within sixty days from date of sale and accepted as presented.

The summary of the financial and operating conditions of this company as set forth August 10, 1918, in Application No. 3805, Decision No. 5660 (15 C. R. C. 1038), is by stipulation made a part of this proceeding in so far as it may be relevant. The company was authorized in August, 1918, to increase zone fares from five to six cents and make minor changes in express rates. This relief granted, however, did not cure the financial difficulties and the present application is but another effort to secure sufficient funds for a continuation of the service.

The company submitted statements relating to its income, expenses, trainmen's wages and franchises. A large amount of testimony was given by its manager, secretary and other employees. All of the financial records of the company have been carefully checked by the Commission's auditing department and in addition the Commission's engineers made an inspection of the physical condition of the property and the method of operation.

The following summary taken from annual reports of the income and expense accounts for the past four calendar years discloses the financial situation:

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Income Statement.

	1916	1917	1918	1919
Railway operating revenues	$64,017 95	$60,810 71	$56,721 22	$71,115 57
Railway operating expenses	48,579 14	44,354 23	46,548 11	86,575 66
Net revenue	$15,438 81	$16,456 48	$10,173 11	*$15,460 09
Taxes	3,766 98	3,543 70	3,269 03	3,993 83
Operating income	$11,671 83	$12,912 78	$6,904 08	*$19,453 92
Non-operating income:				
Income from unfunded securities and accounts		214 49	34 56	285 32
Gross income	$11,671 83	$13,127 27	$6,938 64	*$19,168 60
Interest on funded debt	31,550 00	31,550 00	31,550 00	31,550 00
Balance transferred to profit and loss	*$19,878 17	*$18,422 73	*$24,611 36	*$50,718 60

*Loss.

The company's operating expenses are segregated as follows:

	1919	1918	1917	1916
Operating expenses:				
Way and structures	$7,325 73	$4,260 18	$3,884 41	$4,884 20
Equipment	8,851 78	5,036 32	4,783 11	7,453 69
Power	12,022 68	10,848 60	11,405 20	11,443 60
Conducting transportation	24,882 99	21,658 51	19,987 98	20,075 67
Traffic	347 75	280 89	437 36	613 57
General and miscellaneous	4,765 44	4,463 61	3,856 14	4,108 41
Depreciation	28,379 29			
Totals	$86,575 66	$16,548 11	$44,354 23	$48,579 14

The net revenue and operating expense figures for the year 1919 do not afford a proper comparison, however, with those figures for the preceding years. This is for the reason that for 1919 there is included an operating expense for depreciation of $28,379.29, while no depreciation expense is shown for 1916, 1917 and 1918. It is apparent that a reasonable depreciation allowance should be made and set aside in a depreciation fund if this property is to continue in the future to serve the public. The engineering department has estimated that the sum of approximately $15,000 per annum is adequate for that purpose on the basis of the depreciable property at present existing. The company, in my opinion, should be ordered to set aside this sum in monthly cash installments into a depreciation fund, and this fund should be administered and used under rules laid down or approved by the Commission.

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Assuming that the sum of $15,000 is a proper allowance for depreciation in 1919, the operating loss in 1919, after operating expenses, depreciation and taxes, amounts to $6,074.63.

The company has outstanding 5 per cent first mortgage bonds to the face value of $631,000, with interest charges accruing at the rate of $31,550 per annum. It is apparent that no interest whatever was earned in 1919. The amount of the outstanding bonds exceeds by over $63,000 the undepreciated reproduction cost of the company's physical property as of June 30, 1915, plus additions and betterments to December 31, 1919. This valuation figure is according to the company's estimates and has not been checked by the Commission.

If this applicant were before the Commission asking for a fair return on its investment or the value of its property, the matter of a proper relation of the amount of outstanding bonds to the value of the property would be of importance. The circumstances are such, however, that applicant can hope to earn only operating expenses, a reasonable amount for depreciation, taxes, with a portion of the bond interest. No bond interest has been paid since August 31, 1915, and the matured interest unpaid as of December 31, 1919, amounts to $139,345.86. The company is operating the properties for the benefit of the bondholders and in the past any earnings not necessary to pay operating expenses and taxes have been accumulated for the purpose of bond interest, overdue coupons being paid as soon as sufficient moneys are secured to pay all of the coupons due on any one date. As heretofore stated, the last coupons paid were those due August 31, 1915.

The operating expenses of the company during the past few years have steadily increased. In May of this year trainmen's wages were again advanced; platform men who in 1917 were receiving per hour 26 cents first year, 27 cents second and 28 cents third year, are now being paid 42, 44 and 46 cents per hour, while men operating the one-man cars are receiving 46, 48 and 50 cents per hour.

Our engineers report that the company is operating one-man cars wherever possible, that the equipment and tracks are well maintained and the cars kept painted, and that there is no possibility of further operating economies.

In the readjustment of fares there will be an increase of but one-quarter of a cent per ride to regular patrons who purchase the eight-ride tickets for 50 cents, which tickets will be on sale by all conductors. To those who travel infrequently and who do not desire to purchase tickets, the fare will be 10 cents. During the months of June, July, August and September, Santa Cruz is visited by large numbers of tourists and vacationists and these people, no doubt, will in most

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instances pay the 10 cent fare. It is not possible to estimate with any degree of certainty the financial results of the proposed rate increase. There has been an increase in the number of cash fares in the first four months of 1920 as compared with the first four months of 1919 of approximately 40 per cent, and while a similar large increase can not be expected to continue for the rest of the year at that rate, an increase of from 15 to 20 per cent may confidently be expected. To what extent this normal increase will be interfered with by the higher proposed fares it is impossible to say. The Commission's engineering department estimates that it is reasonable to expect a gross revenue for 1920 of from $110,000 to $120,000. Operating expenses, depreciation and taxes will run from $90,000 to $95,000, so that at best the net revenue will not exceed $30,000.

After a consideration of all the statements and testimony, I am of the opinion that the present passenger fares of the Union Traction Company are inadequate and unreasonable, that the rates proposed in the following order are reasonable and should be put into effect.

I submit the following form of order:

ORDER.

The Union Traction Company having applied for permission to increase its passenger fares, a public hearing having been held, and the Railroad Commission being fully advised in the premises:

It is hereby found as a fact that the existing rates are unjust, unreasonable and insufficient and that the rates herein established are found to be just and reasonable.

Basing this order on the findings of fact which precede;

It is hereby ordered, that the Union Traction Company be and the same is hereby authorized to establish, within twenty (20) days from the date of this order, a zone fare of ten (10) cents, and coupon books containing eight (8) rides for fifty (50) cents; coupon books to be on sale with all conductors, to be transferable and good for passage any time within sixty (60) days from date of sale.

It is further ordered, that applicant set aside from the date of this order, in monthly installments in cash, a depreciation fund of $15,000 per annum. All earnings of the fund from whatever source and to whatever amount shall be added to the fund. This depreciation reserve shall be held and accounted for under the direction of, and shall not be used without the authority of this Commission. Applicant is ordered to work out and submit to the Commission within thirty (30) days of the date of this order such rules for the accounting for and use of this fund as will embody the desires and recommendations of the

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applicant in this matter. Such rules shall not become effective until approved by the Commission.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this eighth day of June, 1920.

DECISION No. 7678.

IN THE MATTER OF THE APPLICATION OF WM. L. GOVAN FOR AUTHORIZATION AND PERMISSION TO IMPROVE, EXTEND AND ENLARGE CARNELIAN BAY WATER SERVICE AND TO RAISE RATES AND RENTAL CHARGES AND ADOPT RULES AND REGULATIONS.

Application No. 5423.

Decided June 8, 1920.

Earl D. White, for Applicant.

BY THE COMMISSION.

OPINION.

This is an application for permission to increase rates for, and to adopt rules and regulations governing, water service at Carnelian Bay, a summer resort on Lake Tahoe.

The application alleges in effect that the present rates fail to return sufficient revenue to pay maintenance and operating expense and a reasonable return upon the investment.

A public hearing was held, the matter has been submitted, and is now ready for decision.

The present rates and the rates asked for, payable in advance, are as follows:

	Present rates	Rates asked for
For each residence, per season	$10 00	$12 50
For each family camping, per season	10 00	12 50
For each family living in tent, per season	10 00	12 50
For each store or place of business, per season	10 00	12 50
For each hotel or lodging house, $1.00 per room in addition to the regular charge per season of	10 00	12 50

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Testimony shows that the system has about twenty-seven service connections and that in 1919 there was collected in cash from consumers approximately $170. Uncollected bills during the year amounted to nearly $50. Maintenance and operating expense during the past year was $200, which included no charges for superintendence or collection. Applicant estimates that maintenance and operating expense during the present year will be in excess of the expenditures for this purpose during 1919.

The water system was purchased in 1919 for $2,500, but applicant asserts that the cost was much in excess of that sum.

It is evident that the present rates do not yield sufficient revenue and that applicant is entitled to an increase in rates.

ORDER.

Wm. L. Govan having made application to this Commission for permission to increase rates, a public hearing having been held thereon, and being fully advised in the matter:

The Railroad Commission hereby finds as a fact that the rates now charged by Wm. L. Govan for water supplied to consumers at Carnelian Bay are unjust and unreasonable in so far as they differ from the rates herein established, and that the rates herein established are just and reasonable rates. And basing its order upon the foregoing finding of fact and upon the statements of fact contained in the opinion preceding this order;

It is hereby ordered, that Wm. L. Govan be, and he is hereby, authorized and directed to file with this Commission within twenty days from the date of this order, and charge, the following rates for water delivered to consumers, effective for the season of 1920:

RATE SCHEDULE.

All rates are payable in advance and are for the calendar year.	
For each residence, for each family camping or living in tents, for each store or place of business	$12 50
For each hotel or lodging house, $1 per room in addition to the regular charge of	12 50

It is hereby further ordered, that Wm. L. Govan file with this Commission for its approval amended rules and regulations, and shall put the same into effect after acceptance thereof by this Commission.

Dated at San Francisco, California, this eighth day of June, 1920.

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DECISION NO. 7679.

IN THE MATTER OF THE APPLICATION OF MOUNT WHITNEY POWER AND ELECTRIC COMPANY FOR A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY TO EXERCISE FRANCHISE RIGHTS IN KINGS COUNTY.

Application No. 3056.

Decided June 8, 1920.

Roy V. Reppy, for Applicant.

Murray Bourne, for San Joaquin Light and Power Corporation.

LOVELAND, *Commissioner*.

OPINION.

Mount Whitney Power and Electric Company, in its original application filed July 23, 1917, requested that it be granted a certificate to exercise the rights and privileges obtained by it under ordinance No. 104, passed February 9, 1917, by the board of supervisors of the county of Kings.

Hearing in the matter was postponed from time to time at request of applicant until a final hearing was set on Friday, April 30, 1920.

At the hearing applicant requested permission to amend the petition, and thereafter filed amended petition setting forth therein as follows:

> While applicant desires ultimately to obtain from the Commission a certificate that public convenience and necessity require the exercise by applicant of all rights granted in said franchise ordinance No. 104, passed February 9, 1917, referred to in paragraph II of the original application, it restricts its application at this time, owing to power shortage throughout the State of California, to obtaining the certificate of the Commission that public convenience and necessity requires the exercise by applicant of rights under said franchise ordinance to the extent of service to John McConnell and Arthur Horlock, by occupancy of highways as described in paragraph III of the original application, and to the extent of service which is now being made to two customers from lines which occupy a public highway between section one (1), township twenty (20) south, range twenty-one (21) east, and section six (6), township twenty (20) south, range twenty-two (22) east, said lines being extensions of the system of the H. G. Lacey Company, acquired by applicant.
>
> Applicant requests also that the certificate issued by the Commission authorize it to cross such public highways as are now crossed by the lines which for a part of their length extend along the highways hereinabove mentioned.
>
> With respect to further extensions for which application may be made by prospective consumers to applicant in the portion of Kings County now being served by it, applicant requests that the Commission's certificate, issued upon this application, find that public convenience and necessity requires the exercise of rights under said franchise to the extent needed in the service of additional consumers in cases wherein stipulations can be filed herein, executed by both applicant and San Joaquin Light and Power Corporation.

Applicant, since the original filing of the application, has acquired the property of the H. G. Lacey Company, formerly serving in Hanford and vicinity. It has made certain extensions over private property and along public highways in Kings County as shown in its exhibits and as listed above.

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San Joaquin Light and Power Corporation supplies, wholesale, the distribution system of applicant serving Hanford, and is also serving certain portions of Kings County direct. San Joaquin Company at the hearing did not object to the granting of a certificate to applicant to exercise the franchise to the limited extent as requested.

Consumers are being served by applicant in Kings County under the franchise where no other utility is serving and it appears that public convenience and necessity require the exercise of the franchise to that extent. It appears that, pending the final determination of applicant's petition, which has by consent been postponed, new consumers should be served provided such service does not change the present relative status of the two companies serving.

Mount Whitney Power and Electric Company has executed and filed with the Commission the usual stipulation, duly authorized by its board of directors, declaring that it, its successors and assigns, will never claim before the Railroad Commission, or any court or other public body, a value for the rights and privileges granted under ordinance No. 104 of the county of Kings in excess of the original cost to said Mount Whitney Power and Electric Company of said franchise, which cost is stated in said stipulation as the sum of one hundred dollars.

I submit the following form of order:

ORDER.

Mount Whitney Power and Electric Company having applied to the Railroad Commission for a certificate of public convenience and necessity for the exercise by it of the rights and privileges under a certain franchise of the county of Kings, a public hearing having been held, and a copy of said franchise and stipulation as to its claims for the value thereof having been duly filed in form satisfactory to this Commission;

The Railroad Commission of the State of California hereby declares that public convenience and necessity require and will require the exercise by Mount Whitney Power and Electric Company of the rights and privileges of the franchise granted to it by ordinance No. 104 of the county of Kings to the extent set forth in the amended petition and as quoted in the opinion herein, and to such greater extent as may be directed from time to time by this Commission.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this eighth day of June, 1920.

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DECISION No. 7680.

IN THE MATTER OF THE APPLICATION OF SOUTHERN CALIFORNIA EDISON COMPANY, A CORPORATION, FOR AN ORDER OF THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA, AUTHORIZING IT TO ISSUE, SELL AND DELIVER FIFTY THOUSAND SHARES OF ITS COMMON STOCK OF THE PAR VALUE OF ONE HUNDRED DOLLARS EACH.

Application No. 5312.

Decided June 8, 1920.

BY THE COMMISSION.

SECOND SUPPLEMENTAL ORDER.

Southern California Edison Company, having reported in its second supplemental petition in the above entitled matter that it has on deposit in a special fund the sum of $153,830.71 obtained from the sale of stock, the issue and sale of which the Commission has heretofore authorized; that it has expended for new construction and the acquisition of properties the sum of $210,827.85; that the $210,827.85 represents uncapitalized capital expenditures, and therefore it asks permission to use the $153,830.71 to reimburse itself in part on account of the said expenditures of $210,827.85, and the Commission being of the opinion that applicant's request should be granted as herein provided; now therefore,

It is hereby ordered, that Southern California Edison Company be, and it is hereby, authorized to use the $153,830.71 obtained from the sale of stock to reimburse its treasury or pay indebtedness, to finance in part the $210,827.85 of uncapitalized expenditures reported in the second supplemental petition in the above entitled matter.

It is hereby further ordered, that the orders heretofore made in Applications No. 2743, No. 4790 and No. 5312, as amended, shall remain in full force and effect, except as modified by this second supplemental order.

Dated at San Francisco, California, this eighth day of June, 1920.

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DECISION No. 7686.

IN THE MATTER OF THE APPLICATION OF WILMINGTON TRANSPORTATION COMPANY FOR AUTHORITY TO INCREASE AND ADJUST FREIGHT RATES.

Application No. 5762.

Decided June 8, 1920.

BY THE COMMISSION.

ORDER.

Applicant operates a water transportation line between Avalon and Los Angeles harbor, freight rates in effect being as per Local Freight Tariff C. R. C. No. 1, issued November 15, 1913. It is represented by applicant that until recently the company has used the terminal facilities of Southern Pacific Company at San Pedro, all wharfage and handling charges being assessed in accordance with the latter's tariffs on file and turned over to said rail carrier. Applicant has now acquired from the city of Los Angeles a thirty-year lease on certain terminal properties at Wilmington and desires to establish a new schedule of rates, whereby the cost of handling merchandise at Wilmington will be absorbed in the transportation charge. Applicant further represents that under the proposed tariff, attached as Exhibit "A" to the application, the rate on shipments weighing over one hundred pounds will be slightly higher than at present, and on articles weighing one hundred pounds or less the rate will be lower; also, that most of the freight carried by applicant weighs less than one hundred pounds per shipment.

Santa Catalina Island Company, reported to be the largest shipper of freight by applicant's steamers, and the only consignee of freight at Avalon receiving shipments weighing 100 pounds or more, joins in the application.

Wilmington Transportation Company having applied to the Railroad Commission for authority to increase and adjust freight rates as set out in Exhibit "A" attached to the application, and it appearing to the Commission that a public hearing in this case is not necessary;

It is hereby ordered, that applicant be, and the same is hereby, authorized to place in effect five (5) days after publication and filing with this Commission, rates, rules and regulations embraced in said Exhibit "A" attached to, and made a part of, the application herein.

Dated at San Francisco, California, this eighth day of June, 1920.

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DECISION NO. 7706.

IN THE MATTER OF THE APPLICATION OF LOS ANGELES GAS AND ELECTRIC CORPORATION FOR AN ORDER AUTHORIZING THE ISSUANCE AND SALE OF BONDS IN THE AMOUNT OF ONE HUNDRED TWENTY-SIX THOUSAND DOLLARS.

Application No. 5781.

Decided June 9, 1920.

Paul Overton, for Applicant.

BRUNDIGE, *Commissioner*.

OPINION.

Los Angeles Gas and Electric Corporation asks permission to issue $126,000 face value of its first and refunding mortgage 5 per cent gold bonds due September 1, 1939. It intends to sell the bonds at not less than 90 per cent of their face value together with accrued interest and use the proceeds to reimburse its treasury because of moneys expended from income for permanent extensions, additions and betterments to its plant and system.

In Exhibit "A," attached to the petition herein, applicant reports the cost of additions and betterments to its plant and system from April 1, 1920, to May 25, 1920, at $137,854.23. Applicant also reports that prior to April 1, 1920, it expended for similar purposes $30,145.77 against which no bonds have been issued. The total expenditures reported in Exhibit "A" amount to $168,000.

Applicant's mortgage, subject to the conditions therein mentioned, permits the certification of bonds by the trustees to an amount, or amounts, in par value not exceeding in the aggregate 75 per cent of the actual and reasonable cash expenditures made by the company for permanent extensions and additions of and to its plants, properties and equipment. The $126,000 of bonds which applicant asks permission to issue represents 75 per cent of the $168,000 of expenditures reported in Exhibit "A." Applicant has made arrangements with Pacific Lighting Corporation for the sale of the bonds.

I herewith submit the following form of order:

ORDER.

Los Angeles Gas and Electric Corporation having applied to the Railroad Commission for permission to issue $126,000 of bonds, a public hearing having been held, and the Commission being of the opinion that the moneys, property or labor to be procured, or paid for by such issue, are reasonably required for the purpose specified in this order, and that the expenditures for such purpose are not in whole or in part reasonably chargeable to operating expenses or income;

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It is hereby ordered, that Los Angeles Gas and Electric Corporation be and it is hereby granted authority to issue and sell, on or before September 1, 1920, at not less than 90 per cent of their face value, together with accrued interest, $126,000 of its first and refunding mortgage 5 per cent gold bonds due September 1, 1939, for the purpose of reimbursing, in part, its treasury because of moneys actually expended from its income to pay for permanent extensions and additions of and to its plants, properties and equipment; provided, that the authority herein granted will not become effective until applicant has paid the fee prescribed by the Public Utilities Act; and provided, further, that applicant keep such record of the issue and sale of the bonds herein authorized and of the disposition of the proceeds as will enable it to file, on or before the twenty-fifth day of each month, a verified report as required by the Railroad Commission, General Order No. 24, which order, in so far as applicable, is made a part of this order.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this ninth day of June, 1920.

DECISION No. 7707.

IN THE MATTER OF THE APPLICATION OF SOUTHERN CALIFORNIA EDISON COMPANY AND CITY OF PASADENA FOR AN ORDER AUTHORIZING THE EXECUTION OF A CERTAIN AGREEMENT FOR THE LEASE AND SALE OF CERTAIN ELECTRICAL DISTRIBUTING SYSTEMS.

Application No. 3666.
(Supplemental.)
Decided June 9, 1920.

BY THE COMMISSION.

OPINION ON SUPPLEMENTAL APPLICATION.

Southern California Edison Company, hereinafter referred to as "the company," and City of Pasadena, hereinafter referred to as "the city," ask authority to execute a proposed agreement for the purchase and sale of certain electric properties.

In the original petition, filed on April 11, 1918, petitioners requested authority to execute agreements for the lease and sale of the properties of the company within the city of Pasadena to the city, and the lease and sale of certain of the electric system of the city without the city of Pasadena to the company. The original agreement also provided

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for the purchase of power by the city from the company at a fixed rate.

The Commission in its Decision No. 6012 (Opinions and Orders of the Railroad Commission of the State of California, Vol. 16, page 325), granted authority for the execution of the agreement provided it be modified by the elimination of certain parts relative to the rate to be charged and limitation of obligation to serve within and without the city.

Petitioners have now filed supplemental petition for authority to execute an agreement of sale of electric distribution properties of the company within the city of Pasadena to the city, and the sale of certain of the electric distribution system of the city without its incorporate limits to the company. No agreement for leasing of properties is included nor for the sale or purchase of electric power.

The agreement provides for the sale by the company to the city, for the sum of $533,262.33, of the electrical distributing system and equipment owned by the company, situated within the present corporate limits of said city and consisting of the following:

I. Lands and Improvements Thereon.

Those certain parcels of land situated in the city of Pasadena, county of Los Angeles, State of California, particularly described as follows, to wit:

Lots seventeen (17), eighteen (18), nineteen (19), twenty (20), twenty-one (21), twenty-two (22), twenty-three (23), twenty-four (24) and twenty-five (25), of Webster and Stratton's subdivision of the Hayhurst property, as shown on a map recorded in book 11, page 52 of Miscellaneous Records, records of said Los Angeles County;

Also that certain parcel of land bounded on the north by the south lines of said lots 17, 18, 19 and 20; bounded on the east by a straight line connecting the southeast corner of said lot 17 with the northeast corner of said lot 21; bounded on the south by said lot 21; and bounded on the west by a straight line connecting the northwest corner of said lot 21 with the southwest corner of said lot 20;

Also that certain parcel of land bounded on the north by said lot 21; bounded on the east by a straight line connecting the southeast corner of said lot 21 with the northeast corner of said lot 22; bounded on the south by the north lines of said lots 22, 23, 24 and 25; and bounded on the west by a straight line connecting the northwest corner of said lot 25 with the southwest corner of said lot 21;

Also that certain parcel of land bounded on the north by California street, as said California street is shown on said map; bounded on the east by said lots 20, 21 and 25, and by a straight line connecting the southwest corner of said lot 20 with the northwest corner of lot 21 and by a straight line connecting the southwest corner of said lot 21 with the northwest corner of said lot 25; bounded on the south by San Pasqual street (now known as Pico street), as said San Pasqual street is shown on said map; and bounded on the west by the Santa Fe Railway right of way.

II. Distributing Lines and Equipment.

All rights of way, easements and franchises; local distributing substation equipment and tools; poles, towers and accessories; conduits, manholes and equipment; cables and wires; transformers and line devices; service meters; lighting equipment; motors, motor-generator sets, panels, switches and other equipment and installations owned by the company and loaned or rented to consumers; also all commercial and engineering records used or useful in the location, identification, operation and maintenance of the said distributing system and in furnishing electric service by means of such system;

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Excepting therefrom, certain substation equipment and small transformers, detailed inventories of which are hereto attached, marked Exhibit "A" and made a part of this agreement;

Excepting also, poles and wires with other necessary appurtenances, comprised in the company's 15,000-volt transmission lines now situated within said city, and constituting that portion of the company's 60,000-volt transmission line which is situated in that portion of the city of Pasadena west of the Arroyo Seco;

Including, however, all transmission line poles which at the present time carry distribution lines as well as transmission lines.

It is further provided that the city, for the consideration of the price of $18,262.33, agrees to sell and convey to the company the electrical distributing system and equipment of the city within the corporate boundaries of the city of South Pasadena described as follows:

DISTRIBUTION LINES AND EQUIPMENT.

All rights of way and easements; poles and accessories; conduits, manholes and equipment; cables and wires; transformers and line devices; service meters; lighting equipment; motors, motor-generator sets, panels, switches and other equipment and installations owned by the city and loaned or rented to consumers; also all commercial and engineering records used or useful in the location, identification, operation and maintenance of said distributing system, and in furnishing electric service by means of said system;

Excepting, however, the distribution line with its appurtenances, used for serving electrical energy to the Raymond Hotel; and excepting, also, all poles and wires with other necessary appurtenances constituting the 33,000-volt transmission lines maintained by the city within the city of South Pasadena for the purpose of conducting electrical energy between the city of Los Angeles and the city of Pasadena, and excepting also that certain distributing line consisting of poles and wires, located on the south side of Columbia street, within said city of South Pasadena, which is used for the purpose of serving residents on the north side of Columbia street within the city of Pasadena and also for street lights and to carry transmission lines; together with all necessary franchise rights for the maintenance and operation of such excepted lines.

The considerations above set forth are based on appraisal of the properties of the company made by Arthur R. Kelley as of December 31, 1916, corrected to March 31, 1920, and the inventory of the city's properties as of March 31, 1920. Any additions or extensions since March 31, 1920, and prior to date of transfer are to be paid by party to whom transferred at the actual cost of such additions.

The purchase price for the company's properties is to be paid on or before July 15, 1920; provided, that on or before that date, bonds of the city in the sum of $500,000 shall have been authorized by the voters of said city and shall have been issued and sold. The transfer of city's property shall take place concurrently.

The company agrees to relinquish all franchise rights within the city except such rights as shall be necessary to enable it to continue service to Pacific Electric Railway Company, and to maintain certain transmission lines through the city.

The city agrees not to serve electricity within the limits of South Pasadena, excepting service to Raymond Hotel, or make further extensions as long as the company or its successors shall continue to serve

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therein and will not extend to serve in other districts outside its corporate limits, subject, however, to release from such agreement in case the territory to be served is annexed to or consolidated with the city.

It is further agreed, in the event that the city shall extend its boundaries by annexation or consolidation so as to include territory served by the company prior to the year 1933, the company agrees to sell and the city to buy the system of company at a valuation based upon historical cost.

The objectionable feature of the former agreement as to the purchase of power has been eliminated, and no apparent detriment to the public will result from the provisions of the present agreement eliminating competition in the territory affected. The testimony in the original application, together with the investigations of the Commission's engineers, show that the transfer will result in a material benefit to the city and its consumers. Competition with its resulting losses will be eliminated and an actual increase in income should be experienced. The company has earned a very low return, if any, on its investment in this territory, and the transfer will make available to the company funds for investment in more remunerative fields.

ORDER.

Supplemental application having been filed by Southern California Edison Company and city of Pasadena for an order authorizing the execution of a proposed agreement for the transfer of certain electrical distributing systems, and it appearing to the Commission that this application should be granted, and that a public hearing in this matter is not necessary;

It is hereby ordered, that Southern California Edison Company and city of Pasadena are hereby authorized to execute an agreement for the sale of certain electric distributing systems, a copy of which contract has been filed with and made a part of the supplemental application and reference to which is hereby made for particulars.

Southern California Edison Company and city of Pasadena are hereby further authorized to carry out the terms and conditions of said contract by the sale of the properties therein specifically described.

Dated at San Francisco, California, this ninth day of June, 1920.

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DECISION NO. 7708.

IN THE MATTER OF THE APPLICATION OF SANTA MARIA GAS COMPANY FOR AUTHORITY TO PURCHASE AND ACQUIRE ALL OF THE PROPERTY OF SANTA MARIA GAS AND POWER COMPANY, CERTAIN OF THE PROPERTIES OF MIDLAND COUNTIES PUBLIC SERVICE CORPORATION, TO INCREASE CERTAIN RATES NOW CHARGED FOR NATURAL GAS BY MIDLAND COUNTIES PUBLIC SERVICE CORPORATION, AND FOR PERMISSION TO ISSUE CERTAIN SECURITIES.

Application No. 5550.

Decided June 9, 1920.

Chickering and Gregory, by *Evan Williams*, for Santa Maria Gas Company, and Santa Maria Gas and Power Company.

Murray Bourne, for Midland Counties Public Service Corporation.

BRUNDIGE, *Commissioner*.

OPINION.

The Railroad Commission is asked to make an order authorizing:

(*a*) Midland Counties Public Service Corporation to sell, and Santa Maria Gas Company to purchase, those certain properties referred to in an agreement attached to the petition in Application No. 5200;

(*b*) Santa Maria Gas Company to purchase, and Santa Maria Gas and Power company to sell, all of its properties;

(*c*) Santa Maria Gas Company to assume the indebtedness and obligations of Santa Maria Gas and Power Company, to issue $300,000 of capital stock; not exceeding $408,000 of 6 per cent twenty-year bonds and $82,000 face value of three-year 6 per cent notes.

(*d*) The Santa Maria Gas Company to put into effect the rates of Santa Maria Gas and Power Company, such rates to be applicable both to the consumers of Santa Maria Gas and Power Company and Midland Counties Public Service Corporation.

In Decision No. 7231, dated March 8, 1920, the Railroad Commission authorized Midland Counties Public Service Corporation to sell certain properties to Santa Maria Gas and Power Company and also authorized Santa Maria Gas and Power Company to charge for gas sold in accordance with its regularly filed schedule of rates, all such consumers as it shall acquire from Midland Counties Public Service Corporation. The record indicates that applicants have not availed themselves of the authority granted in Decision No. 7231.

It is now proposed to transfer the gas properties of Midland Counties Public Service Corporation described in the agreement marked Exhibit "A" and attached to the petition in Application No. 5200 to Santa Maria Gas Company in accordance with the terms of such agreement. The properties will be acquired by Santa Maria Gas Company free and clear of any liens or encumbrances at a cost of $388,000 or its

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equivalent. The purchasing company agrees to pay $120,750 of the purchase price in cash or in 6 per cent twenty-year bonds which, accepted at 95, plus accrued interest, will net $120,750; $195,000 in 6 per cent twenty-year bonds and $82,000 in a three-year 6 per cent note secured by the deposit of $86,000 of 6 per cent twenty-year bonds. The agreement calls for a maximum bond issue of $408,000 and also provides for the gradual payment of the $82,000 note through the sale of gas to the steam electric generating plant at Betteravia. As payments are made on this note, a proper proportion of the bonds deposited as collateral should be returned to applicant's treasury.

Decision No. 7231 contains a reference to the appraised value of the properties which Midland Counties Public Service Corporation asks permission to sell to Santa Maria Gas Company.

Santa Maria Gas and Power Company asks permission to sell all its properties to the Santa Maria Gas Company in exchange for $300,000 of stock and the assumption of all indebtedness, except $129,000 of outstanding bonds. It was agreed at the hearing that Santa Maria Gas Company would assume the payment of all outstanding bonds, as well as the current indebtedness.

Santa Maria Gas and Power Company reports assets and liabilities as of December 31, 1919, as follows:

Asset Accounts.

Fixed capital		$519,364 34
Installed prior to January 1, 1913	$172,021 36	
Installed since December 31, 1912	347,342 98	
Special deposits		512 73
Accounts receivable		4,545 06
Materials and supplies		7,239 85
Sinking funds		74 25
Prepaid expense		1,244 77
Total asset accounts		$532,981 00

Liability Accounts.

Capital stock	$100,000 00
Funded debt	129,000 00
Notes payable	20,000 00
Accounts payable	7,322 03
Interest accrued	2,435 00
Taxes accrued	3,740 53
Reserve for accrued depreciation	85,282 59
Capital surplus	75,289 97
Corporate surplus unappropriated	109,910 88
Total liability accounts	$532,981 00

In Decision No. 7035, dated January 17, 1920, in which the Commission authorized applicant to charge certain rates, it appears that Santa Maria Gas and Power Company claims an investment of $466,435 in its operative properties. It is to acquire the properties of Santa Maria

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Gas and Power Company that Santa Maria Gas Company would issue $300,000 of its stock and assume that company's indebtedness.

Santa Maria Gas Company has filed with the Commission a copy of its proposed mortgage, Exhibit "E," which it intends to execute to secure the payment of $700,000 twenty-year 6 per cent bonds.

In Decision No. 7231, dated March 8, 1920, the Commission, as said above, authorized Santa Maria Gas and Power Company to charge for gas sold in accordance with its regularly filed schedule of rates, all such consumers as it shall acquire from Midland Counties Public Service Corporation, from and after the first regular meter reading date after the transfer of the properties. Inasmuch as it is now proposed to transfer the properties to Santa Maria Gas Company, it appears desirable to cover in this decision the matter of the increase in rates now being charged to consumers connected with the Midland Counties Public Service Corporation's system. The order herein will be in this respect similar to that in Decision No. 7231.

This application, as explained by counsel for applicant at the hearing, in no way involves the abandonment of any lines, nor should the granting of the application be interpreted as committing the Commission in any manner whatsoever to the policy of permitting the abandonment of lines or discontinuance of service. It is expected that the purchasing company, until further ordered by the Commission, will operate the properties subject to the same terms, limitations and conditions as now apply to the Midland Counties Public Service Corporation and Santa Maria Gas and Power Company. It is further understood that the stipulation which the Santa Maria Gas and Power Company filed in Application No. 5200, relating to the purchase of properties by the city of San Luis Obispo, will be binding upon the purchasing company.

I herewith submit the following form of order:

ORDER.

The Railroad Commission, having been asked to make an order authorizing the transfer of gas plants and properties, the increase in rates and the issue of $300,000 of stock, $408,000 of bonds and $82,000 of notes, a public hearing having been held and the Commission being of the opinion that the money, property or labor to be procured or paid for by such issue of stock and bonds is reasonably required for the purpose or purposes specified in this order, and that the expenditures for such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income;

It is hereby ordered, that Midland Counties Public Service Corporation be, and it is hereby, authorized to sell to Santa Maria Gas Company and said Santa Maria Gas Company to purchase for the sum of $388,000,

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or its equivalent, the properties described in Exhibit "A" attached to the petition in Application No. 5200.

It is hereby further ordered, that Santa Maria Gas and Power Company be and it is hereby authorized to sell all of its properties to Santa Maria Gas Company and said Santa Maria Gas Company to purchase said properties for the consideration hereinafter mentioned.

It is hereby further ordered, that Santa Maria Gas Company be and it is hereby authorized to issue $300,000 of its common stock, not exceeding $408,000 of its 6 per cent twenty-year bonds and $82,000 of its 6 per cent three-year notes.

It is hereby further ordered, that Santa Maria Gas Company be and it is hereby authorized to execute a mortgage substantially in the same form as the mortgage filed in this proceeding and marked Exhibit "E"; provided, that the approval herein given of said mortgage is for the purpose of this proceeding only and an approval in so far as this Commission has jurisdiction under the terms of the Public Utilities Act, and is not intended as an approval of said mortgage as to such other legal requirements to which said mortgage may be subject.

The authority herein granted is subject to further conditions as follows:

1. Santa Maria Gas Company shall assume the payment of all indebtedness of Santa Maria Gas and Power Company, and as additional consideration for the acquisition of all properties, may issue to that company, $300,000 of its common capital stock.

2. The bonds and notes herein authorized to be issued may be issued, sold and delivered for the purposes indicated in, and pursuant to the terms and conditions of, the agreement marked Exhibit "A" and attached to the petition in Application No. 5200. As payments are made on the $82,000 face value of notes, a proper proportion of the bonds deposited as collateral shall be returned to the treasury of Santa Maria Gas Company, and these bonds, together with any bonds which the company finds it unnecessary to issue on account of making cash payments for the properties referred to in said Exhibit "A," may hereafter be issued only as authorized by the Railroad Commission.

3. The consideration at which the transfer of properties is herein authorized shall not be urged before this Commission, or any other public body having jurisdiction, as fixing the value of the properties for rate making or for any purpose other than the transfer herein authorized.

4. The authority herein granted shall not be interpreted as giving Santa Maria Gas Company permission to abandon any service, such authority being granted with the understanding that Santa Maria Gas Company will acquire and operate the properties subject to the

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same terms, limitations and conditions as now apply to Santa Maria Gas and Power Company and Midland Counties Public Service Corporation.

5. Within sixty days after the transfer of the properties herein authorized, Santa Maria Gas Company shall file with the Railroad Commission, for approval, a copy of all book entries relative to the transfer and purchase of the properties.

6. Within sixty days after the transfer of the properties herein authorized, Santa Maria Gas Company shall file with the Railroad Commission a verified copy of any and all instruments of conveyance whereby it receives title to properties referred to in this order.

7. Within sixty days after the receipt of payment for its properties, Midland Counties Public Service Corporation shall file with the Railroad Commission, for approval, a statement showing the purposes for which it intends to expend the moneys obtained from the sale of the properties herein authorized.

8. Santa Maria Gas Company shall keep such record of the issue and sale of the stock, bonds and notes herein authorized and of the disposition of the proceeds as will enable it to file, on or before the twenty-fifth day of each month, a verified report as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

9. The authority herein granted to issue bonds and notes will not become effective until Santa Maria Gas Company has paid the fee prescribed in the Public Utilities Act.

10. The authority herein granted to issue stock and bonds will apply only to such stock and bonds as may be issued on or before December 15, 1920, it being understood that the transfer of the properties authorized herein will be a condition precedent to the issue of stock, bonds and notes.

It is hereby further ordered, that Santa Maria Gas Company be and it is hereby authorized to charge for gas sold in accordance with the filed schedule of rates of Santa Maria Gas and Power Company, all such consumers as it shall acquire from Midland Counties Public Service Corporation, from and after the first regular meter reading date after the transfer of the properties herein authorized; provided, that Santa Maria Gas Company will file within ten days after the transfer of the properties herein authorized such modifications in the schedule of rates of Santa Maria Gas and Power Company as shall be necessary to conform with the authority herein granted.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this ninth day of June, 1920.

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DECISION NO. 7709.

IN THE MATTER OF THE APPLICATION OF SANTA FE EXPRESS AND DRAYING COMPANY, MERCHANTS EXPRESS AND DRAYING COMPANY, AMERICAN TRANSFER AND STORAGE COMPANY, PEOPLES EXPRESS COMPANY, KELLOGG'S EXPRESS COMPANY, HULL, WEIDER TRANSFER AND STORAGE COMPANY, AUSTIN FREIGHT AND TRANSPORTATION COMPANY, WILLIAMS MOTOR EXPRESS AND DRAYING COMPANY, UNITED TRANSFER COMPANY, OAKLAND PARCEL DELIVERY, RICHMOND MOTOR EXPRESS COMPANY, FOR A HORIZONTAL INCREASE OF TWENTY PER CENT IN THEIR FREIGHT RATES.

Application No. 5303.

Decided June 10, 1920.

M. A. Van Dine, for Applicants.

LOVELAND, *Commissioner*.

OPINION.

The eleven applicants in this proceeding are automotive transportation companies operating between San Francisco and the east bay cities, Oakland, Berkeley, Alameda, Piedmont, Emeryville, Fruitvale and Melrose. The applicants petitioned for a horizontal increase of 20 per cent in their present freight rates. This application was heard at San Francisco 10 a.m. February 27, 1920, and is now ready for decision.

These same applicants, with the exception of Hull, Weider Transfer and Storage Company, in Applications Nos. 3845, 3846, 3847, 3849, 3850, 3851, 3852, 3853 and 3854, made application in 1918 for a general increase in rates. The Commission, in its Decision No. 5587, July 17, 1918, granted the increases requested.

These same applicants, in Application No. 5010, with the exception of the Richmond Motor Express Company, filed in October, 1919, another application for a 20 per cent increase in rates and a hearing was held thereon October 15, 1919, but owing to the showing made by the applicants the latter requested that the case be dismissed without prejudice. The Commission in its Decision No. 6958, rendered December 17, 1919, authorized the dismissal of Application No. 5010.

In the three hearings had by these applicants it was developed that all of the applicants, in addition to their transbay business, do a local drayage, hauling and car distributing business in Oakland and the other transbay cities. With most of them the transbay hauling is incidental to their local business. Their books have not been kept in a manner permitting of a complete and positive segregation between these different kinds of business, for the reason that the service is performed by the same employees and with the same equipment.

A statement of the gross revenue, operating expenses and total assets and liabilities of six of the applicants, the Merchants Express and

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Draying Company, Peoples Express Company, American Transfer and Storage Company, Santa Fe Express and Draying Company, Hull, Weider Transfer and Storage Company, and Kellogg Express Company, shows that at present, at least one of these companies is operating at an actual loss and the others are operating at varying profits without a remunerative return upon their investment.

The figures referred to are to a considerable extent estimated, for the reason indicated in the foregoing paragraphs, that the applicants have not kept their books in a comprehensive manner.

The showing made by the petitioners as to the cost of performing the service is sufficient, in my opinion, to support the conclusion that their present rates are unremunerative and that the application should be granted in part, that these petitioners should be authorized to increase their rates by 10 per cent.

For the reasons heretofore set forth, I am for the present not inclined to pass upon the merits of this application, other than to permit a moderate increase during a test period in order to ascertain what amounts would accrue to the applicants under such moderately increased rates.

However, under existing conditions, due to the abnormal advance in operating expenses and in materials used, including increased wages, etc., I am of the opinion that the rates now in effect are unremunerative and that the applicants should be granted a temporary increase in rates. I submit the following form of order:

ORDER.

The Santa Fe Express and Draying Company, Merchants Express and Draying Company, American Transfer and Storage Company, Peoples Express Company, Kellogg's Express Company, Hull, Weider Transfer and Storage Company, Austin Freight and Transportation Company, Williams Motor Express and Draying Company, United Transfer Company, Oakland Parcel Delivery, and Richmond Motor Express Company, have applied to this Commission to increase certain rates for the transportation of freight between San Francisco and the east bay cities, Oakland, Berkeley, Alameda, Piedmont, Emeryville, Fruitvale and Melrose, and the intermediate points, as set forth in the opinion, and a hearing having been held, the Commission being fully advised in the premises, and basing its findings on the opinion which precedes this order;

It is hereby ordered, that these transportation companies be and the same hereby are authorized to establish and publish their tariffs, to be filed with this Commission effective July 1, 1920, rates 10 per cent higher than those set forth in their tariffs now on file with this Commission, disposition of fractions to be as follows: Less than 25 cents omit; 25 cents to 75 cents will be counted one-half; over 75

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cents will be counted next higher number. The rates herein authorized to be in effect for seven months expiring January 31, 1921.

The applicants will be required to adopt a comprehensive method of bookkeeping and keep as a separate item their operations over which the Railroad Commission has jurisdiction, and as soon after December 31, 1920, as possible, the applicant companies will be required to make a report to the Railroad Commission setting forth just what effect on their revenue the increased rates authorized have had, and if such showing justifies, the Commission may then make the increases permanent.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this tenth day of June, 1920.

DECISION No. 7710.

IN THE MATTER OF THE APPLICATION OF MOUNT WHITNEY POWER AND ELECTRIC COMPANY FOR AUTHORITY TO SELL AND CONVEY TO SOUTHERN CALIFORNIA EDISON COMPANY, AND OF SOUTHERN CALIFORNIA EDISON COMPANY TO PURCHASE FROM MOUNT WHITNEY POWER AND ELECTRIC COMPANY, THE BUSINESS, FRANCHISES AND PROPERTY OF SAID MOUNT WHITNEY POWER AND ELECTRIC COMPANY.

Application No. 5537.

Decided June 14, 1920.

Roy V. Reppy, for Applicants.

BRUNDIGE, *Commissioner*.

OPINION.

Mount Whitney Power and Electric Company, hereinafter referred to as the Mount Whitney company, asks permission to sell all of its properties, more particularly described in applicants' Exhibit No. 1, to Southern California Edison Company, hereinafter referred to as the Edison company.

The Edison company joins in the application and asks permission to acquire the properties, and assume all the debts and liabilities of the Mount Whitney company.

In Exhibit No. 2 applicants report the value of the assets to be acquired and the liabilities to be assumed by the Edison company as of April 30, 1920, as follows:

Assets to be Acquired.

Plant		$6,655,494 06
Tangible	$6,645,548 36	
Intangible	9,945 70	
Sinking and other special funds		558 50
Cash and current assets		405,503 41
Deferred assets		27,112 78
Total		$7,088,668 75

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Liabilities to be Assumed.

Bonds	$3,433,000 00	
Notes	289,000 00	
Current liabilities	207,169 68	
Total liabilities		$3,929,169 68
Excess of assets over liabilities		$3,159,499 07

The testimony shows that the item of $6,655,494.06 is made up of the following items:

Commission's finding of investment, exclusive of working cash capital and materials and supplies as of December 31, 1919, in Decision No. 7304, dated March 23, 1920	$5,979,141 21
Less organization	51,127 00
	$5,928,014 21
Additions and betterments December 31, 1919 to April 30, 1920	156,249 84
Construction work in progress	412,871 92
Fixed capital in other departments	31,914 10
Wolverton dam	100,833 21
Kaweah No. 5	25,289 19
Kaweah No. 6	321 59
Total	$6,655,494 06

Mount Whitney Power and Electric Company reports $2,825,000 of stock, divided into $2,625,000 of common and $200,000 of 7 per cent preferred, outstanding. All of the preferred stock is owned by the Edison company and all of the common stock, except shares necessary to qualify directors, is owned by the Mount Whitney Power and Electric Corporation. The testimony shows that the Edison company owns all of the outstanding stock of Mount Whitney Power and Electric Company.

The Edison company thus in effect has complete control of the Mount Whitney company. To acquire this control it expended, according to the record herein, $1,717,101.88.

Applicants' Exhibit No. 4 shows that in addition to expending $1,717,101.88 to secure control of the Mount Whitney Company, the Edison company has advanced from time to time to the Mount Whitney company, the sum of $1,421,344.67, making a total investment of $3,138,446.55.

The Edison company will acquire from the Mount Whitney company the franchises under which that company is now operating, as well as the franchises which the Mount Whitney company acquired from the Tulare County Power Company, pursuant to the authority granted by the Commission in Decision No. 2951, dated December 2, 1915. The Edison company does not at this time intend to operate under any of the franchises formerly owned by the Tulare County Power Company, and is acquiring those franchises subject to the conditions of the Commission's decision, to which reference has been made.

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The record shows that the transfer of the properties should result in improved service and aid the financing of improvements, both on the Edison company's and Mount Whitney company's systems.

I herewith submit the following form of order:

ORDER.

Mount Whitney Power and Electric Company, having asked permission to sell and transfer all of its properties to the Southern California Edison Company, and Southern California Edison Company having asked permission to purchase said properties, a public hearing having been held, and the Railroad Commission being of the opinion that this application should be granted as herein provided;

It is hereby ordered, that Mount Whitney Power and Electric Company be and it is hereby authorized to sell and transfer to Southern California Edison Company, all of its properties more particularly described in applicants' Exhibit No. 1, subject to existing indebtedness and liabilities, and Southern California Edison Company to purchase said properties and assume the payment of said indebtedness and liabilities.

The authority herein granted is subject to the following conditions:

1. The properties of the Mount Whitney Power and Electric Company shall be sold and transferred to the Southern California Edison Company, subject to the terms and conditions set forth in this application.

2. The price at which the properties of Mount Whitney Power and Electric Company are transferred to Southern California Edison Company shall not be binding upon this Commission or any other public body as representing the value of said properties for rate making or any purpose other than the transfer herein authorized.

3. Within sixty days from the date of this order, Southern California Edison Company shall file with this Commission a stipulation to the effect that it does not, and never will, claim in any proceeding before this Commission, or any other public body, a value for the franchises acquired by it from Mount Whitney Power and Electric Company in excess of the amount paid to the grantors of the various franchises, as the consideration for the grant of such franchises, which amount shall be set forth in the stipulation.

4. Within thirty days after the transfer of the properties herein authorized, Southern California Edison Company shall advise the Commission of the exact date of the transfer and file with the Commission a verified copy of the deed under which it obtains title to the properties.

5. The authority herein granted will apply only to such transfer of property as shall take place on or before September 1, 1920.

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The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this fourteenth day of June, 1920.

DECISION No. 7711.

IN THE MATTER OF THE APPLICATION OF WILMINGTON TRANSPORTATION COMPANY TO ISSUE CAPITAL STOCK AND SIX HUNDRED THOUSAND DOLLARS OF NOTES IN PAYMENT OF INDEBTEDNESS.

Application No. 5754.

Decided June 14, 1920.

Gibson, Dunn and Crutcher, by *J. A. Gibson, Jr.*, for Applicant.

BRUNDIGE, *Commissioner*.

OPINION.

Wilmington Transportation Company asks permission to issue $600,000 of 7 per cent serial secured gold notes and $202,600 of common stock to acquire from William Wrigley, Jr., the steamer "Avalon." The record shows that Wilmington Transportation Company operates a number of boats between Wilmington and Avalon and that the traffic has outgrown the company's present facilities. To take care of the increased traffic and give better service, applicant is now operating under charter the steamer "Avalon" owned by William Wrigley, Jr. On April 10, 1920, W. F. Mahar, deputy collector of customs, issued a license permitting the steamer "Avalon" to be employed in carrying on coasting trade. This license is based upon a sworn statement by William Wrigley, Jr., showing that the vessel has a net tonnage of 1186; that it is a steam screw; that it has two decks; a registered length of 264.7 feet, a registered breadth of 38.3 feet and a registered depth of 22.1 feet. The testimony shows that the boat, including $17,123.26 of interest to June 15, 1920, cost William Wrigley, Jr., the sum of $781,521.15. Although the Morse Dry Dock and Repair Company of New York, which has reconstructed the steamer "Avalon," places a value of $1,250,000 on the steamer under present conditions, and William Muller, naval architect and shipbuilder, estimates that it would cost $1,550,000 to reproduce the steamer new under existing conditions, William Wrigley, Jr., is willing to sell the vessel to the Wilmington Transportation Company at cost ($781,521.15) to him. He has agreed to accept in payment the proceeds from the sale of $600,000 of the company's notes and the balance in common stock at par. In this connection, it might be said that William Wrigley, Jr., owns practically all of the outstanding stock of Wilmington Transportation Company.

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Of the $600,000 of notes which applicant asks permission to issue, $200,000 mature May 1, 1921, $200,000 on May 1, 1922, and $200,000 on May 1, 1923. Arrangements have been made for the sale of the notes at prices ranging from 95 to 98 per cent of their face value plus accrued interest. The payment of the notes will be secured by mortgage or deed of trust constituting a lien on all of the company's properties now owned or hereafter acquired. Among other property mentioned in the proposed mortgage are the steamships "Avalon," "Cabrillo" and "Hermosa," the "Listo" and "Vivo," and Lighters No. 1, No. 2, No. 4 and No. 5. The proposed mortgage provides that the company may not sell the steamer "Avalon" for less than $1,000,000, the "Cabrillo" for not less than $200,000, the "Hermosa" for not less than $100,000, the "Listo" for not less than $17,500, the "Vivo" for not less than $20,000; Lighter No. 1 for not less than $10,000, Lighter No. 2 for not less than $11,000, Lighter No. 4 for not less than $7,500 and Lighter No. 5 for not less than $5,000. It further provides that the notes shall bear the personal endorsement of William Wrigley, Jr. A copy of the proposed mortgage has been filed with the Commission.

Applicant now reports $100,000 of stock outstanding, of which William Wrigley, Jr., is reported to own $98,250. If this transaction is consummated, additional stock in the amount of approximately $202,600 will be issued, which added to the stock already outstanding, makes a total of $302,600.

I herewith submit the following form of order:

ORDER.

Wilmington Transportation Company having applied to the Railroad Commission for permission to issue $202,600 of stock and $600,000 of notes, a public hearing having been held, and the Commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required for the purpose specified in this order, and that the expenditures for such purpose are not in whole or in part reasonably chargeable to operating expenses or to income;

It is hereby ordered, that Wilmington Transportation Company be and it is hereby authorized to execute a mortgage or deed of trust substantially in the same form as that filed with the Commission in this proceeding; provided, that the approval herein given of said mortgage or deed of trust is for the purpose of this proceeding only and an approval in so far as this Commission has jurisdiction under the terms of the Public Utilities Act, and is not intended as an approval of said mortgage or deed of trust as to such other legal requirements to which said mortgage or deed of trust may be subject.

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It is hereby further ordered, that Wilmington Transportation Company be and it is hereby authorized to issue not exceeding $202,600 of its common stock and $600,000 of its 7 per cent serial secured gold notes.

The authority herein granted is subject to further conditions as follows:

1. The stock herewith authorized shall be sold by applicant for not less than par and the notes maturing May 1, 1921, for not less than 98 per cent of their face value plus accrued interest, the notes maturing May 1, 1922, for not less than 96½ per cent of their face value plus accrued interest, and the notes maturing May 1, 1923, for not less than 95 per cent of their face value plus accrued interest.

2. The stock and notes herein authorized shall be issued and the proceeds thereof used for the purpose of paying in full for the steamer "Avalon," which applicant intends to acquire from William Wrigley, Jr., and referred to in this application.

3. Wilmington Transportation Company shall keep such record of the issue and sale of the stock and notes herein authorized and of the disposition of the proceeds as will enable it to file, on or before the twenty-fifth day of each month, a verified report as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

4. The authority herein granted will not become effective until applicant has paid the fee prescribed by the Public Utilities Act.

5. The authority herein granted will apply only to such stock and notes as may be issued and sold on or before October 1, 1920.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this fourteenth day of June, 1920.

DECISION No. 7712.

IN THE MATTER OF THE REASONABLENESS OF THE PRACTICES AND METHODS OF TRANSPORTATION COMPANIES AS DEFINED IN CHAPTER 213, STATUTES 1917, WITH REFERENCE TO THE LEASING OF TRANSPORTATION EQUIPMENT.

Case No. 1202.

Decided June 16, 1920.

JURISDICTION—AUTO STATE ASSOCIATION—FRANCHISES—OWNERSHIP OF.—The Commission holds that when a duly organized auto transportation association operating prior to May 1, 1917, filed its rules, regulations and rates between the various points which it serves with this Commission in the name of the association, any orders issued with respect to methods of operation, etc., will

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be directed to the association itself and not to the individuals operating thereunder. The question of ownership of operative rights as between the association and its individual members is not one to be determined by this Commission.

Harry A. Encell, for Geo. S. Held, Clarence L. Simonds and O. A. Moon.

J. E. McCurdy, for J. L. Kochn.

Jesse Steinhart, J. Goldberg and *Lawrence Levy*, for A. L. Richardson.

W. A. Latta and *J. Hancock*, for Star Auto Stage Association and Star Auto Stage Company.

Charles R. Detrick and *Theodore W. Chester*, for Central California Traction Company.

Dennett and Zion, for E. R. Michae's and A. L. Parker.

T. S. Louthitt, for C. D. Gulick and Henry Short.

K. B. Robinson, for Shaves and McFall.

BY THE COMMISSION.

FIRST SUPPLEMENTAL OPINION.

The above entitled proceeding is a matter initiated by the Railroad Commission upon its own motion on February 25, 1918, for the purpose of investigating the practices and methods of transportation companies as defined by chapter 213, Laws of 1917, with reference to the leasing of transportation equipment. After hearings at Los Angeles and San Francisco the matter was duly submitted and decided on April 17, 1918, Decision No. 5318. The opinion preceding the order in the above mentioned decision contained the following reference to the Star Auto Stage Association:

The Star Auto Stage Association is organized under section 653*b* and subsequent sections of the Civil Code of the State of California as a cooperative business association. This association was organized on October 26, 1916, with its principal or home office in the city of Sacramento. The association owns no cars. On May 1, 1917, between fifty-five and sixty members comprised the association. At the date of the hearing herein in San Francisco the association had from forty-five to fifty members. Four or five members belonging to this association on May 1, 1917, have been replaced by other members, some who have surrendered membership have not been replaced by anyone, and some individual members who have surrendered membership have been replaced by three or four individuals. The Star Auto Stage Association takes the position that all runs are the property of the association and that the individual operators on May 1, 1917, have no rights as individuals. The association's by-laws read in part as follows:

"ARTICLE II—MEMBERSHIP.

SEC. 4. Upon election to membership each applicant shall sign these by-laws, which signing shall constitute a contract between the member and this association.

SEC. 5. At the time of becoming a member each person shall bring into and deliver up to the association, for the use and purposes for which it is organized, under such rules as the directors may from time to time adopt, one or more automobiles, auto stages, trucks, or motor conveyances, to be by said member placed in operation upon and over a route to be fixed and selected by said directors and subject to change; and during h's said membership shall keep and operate such auto stage or conveyance in accordance with the rules of the association.

SEC. 6. The board of directors may make rules and regulations relating to admission to membership, and relating to the use and operation of stages and conveyances over the routes covered by the association and its members."

A number of members of the Star Auto Stage Association have informed the Commission that they have never executed any documents which they considered as a surrender of their right to operate over a designated route upon which they were

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operating in good faith on May 1, 1917, either as members of the Star Auto Stage Association at that time or by reason of their having become members of the association since that date. The by-laws themselves contain evidence that the runs, or some of them, may be held by individual operators and not by the association, as appears from section 10 of article II, reading as follows:

"ARTICLE II—MEMBERSHIP.

SEC. 10. Any membership in the association shall cease upon such member transferring or disposing of his title to or interest in the automobile or auto stage or truck, or stages or trucks, used and operated by him as a member of the association, or his right to operate a stage or truck on or over any route within the territory covered by the association, when such sale shall leave such member without other stages, trucks, or conveyances upon the routes of the association. Any membership shall cease when a majority of the members of the association shall by vote at any regular or special meeting so determine."

From the evidence herein we are unable to reach a satisfactory conclusion on the question whether all the routes operated in the name of the Star Auto Stage Association are held by the association or by individual operators. The question will receive our further attention and investigation and may be the subject of a supplemental opinion and order. This proceeding will, for the present, be held open in so far as Star Auto Stage Association is concerned.

The order in the above mentioned decision contained the following reference to the Star Auto Stage Association:

It is further ordered that the status of the Star Auto Stage Association, as set forth in the foregoing opinion, be made the subject of further inquiry, investigation and subsequent order of the Commission.

On May 23, 1919, J. L. Koehn filed with the Railroad Commission a petition for further hearing on this proceeding, requesting a further order establishing the validity of the Star Auto Stage Association, and the rights claimed by it for the operation of the auto stage lines proposed to be operated under its management and control.

Public hearings were conducted by Examiner Handford at Stockton on December 30, 1919, and January 30, 1920, the matter was duly submitted, and is now ready for decision.

The Star Auto Stage Association was organized on October 26, 1916, as a cooperative business association, in accordance with section 653*b* and subsequent sections of the Civil Code of the State of California. At the time of organization the principal office of the association was, in accordance with the articles of association, in the city of Sacramento. The articles of association were regularly filed with the county clerk of Sacramento County, and with the Secretary of State of the State of California. A code of by-laws was adopted by the association, to which reference has been made in the former order in this proceeding. The date of adoption of these by-laws does not appear in the record of minutes of the association as filed by the association as evidence at one of the later hearings. A new code of by-laws was adopted by the association at a called meeting of the members held at Stockton on June 25, 1918, a copy of which by-laws has been filed in this proceeding.

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At the time of the organization of this association in October, 1916, seventy-one members constituted the association and had signed the by-laws.

Fifteen additional members have become associated with the organization since October, 1916, and fifty-two members have withdrawn from various causes, the present membership at the time of the submission of the rehearing of this case being thirty-four.

The records of the Commission show that the first tariffs and time schedules were filed by the Star Auto Stage Association covering all operative routes in the month of February, 1917, such tariffs and time schedules to be effective March 1, 1917, the filing of schedules being made in accordance with the provisions of the Railroad Commission's General Order No. 47 requiring all automobile passenger and freight carriers to file schedules of rates, fares, charges and classifications. All tariffs and time schedules covering the operation of the lines of the Star Auto Stage Association have continued to be filed by the officials of such association and the association is of record as of May 1, 1917, as being in control as an association of all operative rights under which its various schedules were being maintained.

Section 5 of article II of the original code of by-laws of the Star Auto Stage Association provides as follows:

> At the time of becoming a member each person shall bring into and deliver up to the association, for the use and purposes for which it is organized, under such rules as the directors may from time to time adopt, one or more automobiles, auto stages, trucks, or motor conveyances, to be by said member placed in operation upon and over a route to be fixed and selected by said directors, and subject to change; and during his said membership shall keep and operate such auto stage or conveyance in accordance with the rules of the association.

The evidence in this proceeding indicates that the provisions of such section were followed and that members placed in operation over routes as determined by directors automobiles in accordance with such section of the by-laws and that the association, through its directing officials, endeavored to secure compliance with the subsequent operation of such automobile in accordance with the rules of the association.

Section 7 of article II of the original by-laws provided that a member might transfer or withdraw his membership at any time provided that the consent of the directors was first obtained. Transfer of runs and transfers of membership were made subject to the approval of the board of directors and, in some instances, amounts were paid by members of the association or by persons who were not members of the association but who desired to become such and to operate over routes controlled by the association by reason of operation having been in effect prior to May 1, 1917. In some of these transfers amounts were paid exceeding the value of the equipment which, in many instances, constituted a substantial part of the transfer, but we are of the opinion,

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from the evidence in this case, that amounts so paid and exceeding the value of the equipment acquired was for the purpose of acquiring membership rights and can not be construed as purchasing runs or operative rights; such being held entirely by the association. Members of the association also purchased membership rights and equipment evidently for the purpose of reducing the membership of the association, as the record indicates that the total membership existing in 1916 at the time of organization has been reduced from seventy-one members to thirty-four members at the present time.

The foregoing review of this proceeding and summary of facts established at the hearing point only to one conclusion, namely, that for the purpose of regulation by this Commission of the transportation business here involved it is the Star Auto Stage Association, and not the individual members thereof, to whom the orders of this Commission must be directed. That members of the association held the same view is clearly shown by the testimony of Mr. Geo. S. Held, one of the members whose statements with reference to the operative rights of Mr. Deister, another member of the association, appear on page 306 of the transcript as follows:

"Examiner Handford: Q. Tell me, Mr. Held, is Deister operating the run? A. No.

Q. Who is operating the run at the present time? A. As far as I know, the Star Association.

Q. As a matter of fact, isn't the Star Auto Stage Association operating all these runs? A. As near as I can interpret it, yes."

The Central California Traction Company intervened in this proceeding, claiming, first, that the stage lines in the name of the Star Auto Stage Association were in reality owned by the individual members and not by the association; second, that neither the individual members, nor the association, acquired any operative rights under the act of 1917, and, third, that if it be concluded that operative rights were obtained under the act of 1917 they are not assignable.

Inasmuch as these contentions suggest a number of questions concerning property rights, validity of organization of the association and possible forfeiture of its corporate rights, which are outside the purview of this proceeding, they will be only briefly noticed.

As to the first contention, it has already been stated that the evidence herein establishes that the Star Auto Stage Association was conducting the business of a transportation company subject to regulation by this Commission as of May 1, 1917. This conclusion does not purport to determine any property rights as between the individual members of this association, or between any member and the association. This particular proceeding before the Commission is concerned solely with the extent to which regulatory orders of this Commission with reference

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to the leasing of transportation equipment will be deemed by this Commission to be enforcible against the Star Auto Stage Association. As already stated, the Commission concludes that in the administration of its regulatory orders the Star Auto Stage Association as such, and not its individual members, will be regarded as the responsible operating head as to all routes of transportation set forth in the tariffs and schedules filed with this Commission in the name of the Star Auto Stage Association.

Any question as to the legal organization of the Star Auto Stage Association, and of its rights to operate as such, can not be determined in this proceeding. Under the provisions of section 653*k* of the Civil Code, these matters can only be inquired into by a proceeding in *quo warranto* at the suit of the Attorney General of this state.

Under the second contention, the Central California Traction Company urges that the Star Auto Stage Association was not, on May 1, 1917, operating in "good faith" as that term is used in the act (chapter 213, Statutes 1917). They base their contention upon the assertion that the association failed to comply with certain county ordinances in the counties of Sacramento and San Joaquin, through which their lines operated. As to the interpretation of the term "in good faith" as used in section 5, chapter 213, Laws of 1917, we are of the opinion that this opinion does not refer to any question of compliance or noncompliance of county ordinances of a regulatory character which companies operating motor stages should have observed in their operations prior to May 1, 1917. We believe that what was intended by the expression "operated in good faith" was actual operation as a transportation company as distinguished from a mere colorable operation to avoid the necessity of obtaining a certificate of public convenience and necessity from this Commission.

With reference to the third contention, that operative rights obtained under the act of 1917 are not assignable, it becomes unnecessary, in view of the conclusions already stated, to pass upon this point. It is evident from the record in this proceeding that on May 1, 1917, the Star Auto Stage Association, and not the individual members thereof, was operating over the highways of this state. These operations were carried on under tariffs and schedules filed with this Commission some two months prior to May 1, 1917, and have ever since been continued under similar tariffs and schedules filed in the name of this association. In so far as this Commission is concerned, no question of transfer of operative rights has been raised. It is apparent that any assignments of runs or routes to individual members were made pursuant to the direction of the board of directors of the Star Auto Stage Association. Sales of equipment and transfers of membership

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rights have not affected the status of the association as the responsible head of the business over which the Commission assumes jurisdiction.

We have carefully considered all the evidence and numerous exhibits in this case. Many matters are referred to therein which are necessarily outside the issues. The Commission, however, is not interested in the internal affairs or dissensions of this association, and can only determine in this proceeding matters which are at issue and which are properly within its jurisdiction under the authority conferred by the statutory law. Any other contentions, such as the right of individual members within the association as regards participation in profits, adjustment of property rights, or propriety of action by officials of the association, are matters not within the scope of the regulatory powers of this Commission, but are for determination by amicable adjustment among the members of the association or by proper actions in the civil courts. The Commission does, however, suggest that the organization of a corporation instead of a cooperative association would be in the interests of the membership of the present association in that it would afford a more satisfactory basis for administration of the transportation business here involved, both as regards the traveling public and of those now interested as members of the association in the financial success of this enterprise.

The Commission in its Decision No. 5318, following the first hearing in this proceeding, ordered that all transportation companies as defined in chapter 213, Laws of 1917, shall either own their equipment (proprietary control being deemed ownership) or lease such equipment for a specified amount on a trip or term basis, the leasing of equipment not to include the services of a driver or operator. The status of the Star Auto Stage Association under this order is here determined. The Commission hereby concludes that the Star Auto Stage Association as such is the transportation company operating the routes as set forth in the tariffs and schedules on file with the Commission and that the association and not the individual members thereof are deemed by this Commission to be amenable to the above mentioned order.

The foregoing supplemental opinion is hereby approved and ordered filed as the supplemental opinion of the Railroad Commission of the State of California.

Dated at San Francisco, California, this sixteenth day of June, 1920.

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DECISION No. 7713.

IN THE MATTER OF THE APPLICATION OF J. L. DOHERTY FOR AUTHORITY TO INCREASE RATES FOR WATER OF PUBLIC UTILITY PLANT ON THE DOWNEY HOME TRACT, DOWNEY, CALIFORNIA.

Application No. 5276.

Decided June 16, 1920.

J. L. Doherty, in propria persona.

LOVELAND, *Commissioner.*

OPINION.

This is an application by J. L. Doherty, owner of a public utility water plant located on the Downey Home Tract, Downey, California, for authority to increase rates for distribution and sale of water to consumers. Applicant alleges, in effect, that the present rates are unremunerative and do not produce an income sufficient to equal operating costs, replacement fund and interest on investment.

The rates at present in effect on this system were established by this Commission's Decision No. 2511, dated June 22, 1915, in Application No. 1375, *In the Matter of the Application of Downey Land and Improvement Association for an order authorizing the establishment of rates for water on Downey Tract, Downey, California* (Vol. 7, p. 224, Opinions and Orders of the Railroad Commission of the State of California), and by the Commission's letter to the Downey Land and Improvement Association dated April 27, 1916, permitting a modification of the schedule established. These rates are as follows:

First 600 cubic feet or less	$1 00
Excess of 600 cubic feet, per 100 cubic feet	08

J. L. Doherty acquired this water system under authority granted by the Commission in its Decision No. 6073, dated January 20, 1919, in Application No. 4256, *In the matter of the Application of Downey Land and Improvement Association for permission to sell water system to John L. Doherty* (Vol. 16, p. 416, Opinions and Orders of the Railroad Commission of California).

A public hearing was held in the present proceeding and a field investigation and appraisal of the properties was made by a representative of the Commission's engineering department. The appraisal submitted by the Commission's engineer shows the estimated original cost of the system to be $2,708, and $60 as the replacement annuity, computed on the sinking fund basis. No other evidence was introduced at the hearing on the cost of the plant. These estimates appear reasonable and will be used for the purposes of this proceeding.

Applicant claims an operating expense of $402.83 for 1919. However, this figure includes $234.72 for a motor and other equipment,

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which clearly should be charged to capital account. A study of all of the data submitted leads me to the conclusion that $225 is a fair sum to be allowed for this item.

After carefully considering the evidence regarding these operating expenses and other elements going to make up the sum which should be annually produced by rates, it appears that the following are reasonable:

Interest on $2,708 at 8 per cent	$233 00
Replacement fund	60 00
Maintenance and operation	225 00
Total	$508 00

The total operating income from this system for 1919 was $466.60, and it does not appear that there will be any appreciable increase in income in the near future by reason of increased consumption. It is therefore apparent that this is a case in which the application for authority to increase rates should be granted, and the schedule established in the following order is designed to return to applicant an income at least equal to the annual charges above set out.

I recommend the following form of order:

ORDER.

J. L. Doherty having applied to the Railroad Commission for authority to increase the rates for water served in the Downey Home Tract, a public hearing having been held, and the Commission being fully advised in the premises:

It is hereby found as a fact, that the rates and charges of J. L. Doherty, in so far as they differ from the rates herein established are unjust and unremunerative, and that the rates and charges herein established are just and reasonable rates.

And basing its order on the foregoing finding of fact and on the further statements of fact contained in the opinion which precedes this order;

It is hereby ordered, that J. L. Doherty be and he is hereby authorized to file with the Railroad Commission within twenty (20) days from the date of this order, the following schedule of rates, the same to supersede all rate schedules of this system heretofore in effect, and to be and become effective on and after July 1, 1920:

Meter rates.

400 cubic feet or less	$1 00
400 cubic feet to 1000 cubic feet, per 100 cubic feet	15
In excess of 1000 cubic feet per 100 cubic feet	10

It is hereby further ordered, that J. L. Doherty be and he is hereby directed to file with the Railroad Commission, for its approval, rules and regulations governing the distribution of water to his consumers,

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said rules and regulations to be filed with the Commission within ten (10) days of the date of this order and to be and become effective within five (5) days of the date of their approval by this Commission.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this sixteenth day of June, 1920.

DECISION No. 7714.

IN THE MATTER OF THE APPLICATION OF HANNAH GILBERT, OWNER OF A PUBLIC UTILITY WATER PLANT, FOR AN INCREASE IN RATES FOR BOTH DOMESTIC AND IRRIGATION SERVICE.

Application No. 5295.

Decided June 16, 1920.

Hannah Gilbert, in propria persona.

LOVELAND, *Commissioner.*

OPINION.

Hannah Gilbert, applicant herein, is the owner of a water plant located on Baker avenue, between Wilcox and Walker streets, on what is known as the Walker berry and alfalfa tract, near Bell, Los Angeles County, California. In this proceeding applicant asks for an increase in rates for both domestic and irrigation service, it being alleged in effect that the revenue received from this system does not provide an amount sufficient to meet operating expenses, depreciation, and provide a fair interest return on investment.

A public hearing in this proceeding was held in Los Angeles and a field investigation was made by a representative of the Commission's engineering department.

Hannah Gilbert acquired possession of the water system in question under authority of this Commission, dated October 27, 1919, in its Decision No. 6799, *In the Matter of the Application of Walter and Walter J. Ogden for authority to sell a water utility to Mrs. Hannah Gilbert.* The plant consists of a 12-inch well, 440 feet deep, pumped by means of compressed air, a 4000-gallon tank, and a small amount of vitrified pipe. Applicant owns no pipe lines outside the limits of her own land.

The Commission's engineers submitted an estimate of the original cost of this plant in the amount of $4,132, with a replacement fund of $81, computed by the sinking fund method. This was the only estimate submitted and the above figures will be used for the purposes of this proceeding.

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Evidence was introduced showing that the average annual charges computed, with the above valuation as a basis, would be as follows:

Eight per cent interest on $4,132	$331 00
Replacement annuity	81 00
Power	360 00
Repairs	50 00
Total	$822 00

The rate schedule in effect is as follows:
Domestic use, 75 cents per month—flat rate.
Irrigation use, $1 per hour for run of pump.

There are only six domestic consumers and four irrigation consumers, irrigating a total of ten acres. It is evident that a rate to produce a return of $822 would be prohibitive. Applicant, however, states that there are good prospects of increasing the number of consumers, and it would appear that this is the only way in which the plant can be made to produce a remunerative income. However, applicant is entitled to a reasonable increase and the order herein will so provide.

I recommend the following form of order:

ORDER.

Hannah Gilbert having applied to the Railroad Commission for authority to increase the rates charged for water for domestic and irrigation uses, a public hearing having been held, and the Commission being fully advised in the premises:

It is hereby found as a fact, that the rates and charges of Hannah Gilbert, in so far as they differ from the rates herein established, are unjust, unreasonable and unremunerative, and that the rates and charges herein established are just and reasonable rates.

And basing its order on the foregoing finding of fact and on the further statements of fact contained in the opinion which precedes this order;

It is hereby ordered, that Hannah Gilbert be and she is hereby authorized to file with the Railroad Commission of the State of California, within twenty days of the date of this order, the following schedule of rates, the same to be and become effective on and after July 1, 1920:

Domestic service.

For all residences	$1 50 per month
For each automobile	20 per month
For all cattle and horses per head	20 per month

Irrigation service.

Three (3) cents per miner's inch hour measured under a four-inch pressure.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this sixteenth day of June, 1920.

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DECISION No. 7715.

PEARL McCALLUM McMANUS

vs.

PALM VALLEY WATER COMPANY.

Case No. 1386.

Decided June 16, 1920.

WATER SERVICE—EXTENSIONS—COST OF.—By agreement between defendant water company and its consumers, the utility is directed to install, at its own expense, the first 100 feet of new main necessary to serve each new permanent consumer, the balance of cost of such installation to be paid for by the consumer, such advance to be returned to consumer when the annual income derived from the service shall equal or exceed twenty per cent of the cost of installation.

Pearl McCallum McManus, in propria persona.

P. T. Stevens, for Palm Valley Water Company.

BY THE COMMISSION.

OPINION.

Pearl McCallum McManus, complainant in the above entitled proceeding, is a resident and land owner of Palm Springs, Riverside County, California. Complainant alleges that Palm Valley Water Company, defendant herein, furnishes an insufficient supply of water for domestic purposes; that the mains of said system are inadequate; that proper supervision of the system is not maintained, and that complainant has made application for water for the irrigation of trees in the territory served by defendant and has been unable to obtain such service.

Defendant in its answer alleges that it serves water for domestic purposes only and is not obligated to serve water for irrigation purposes as a public utility.

The ownership of Palm Valley Water Company rests in Stephens, Turner and Company, they having taken over the property and stock through foreclosure proceedings in 1917. It appears from the testimony of Mr. C. E. Bunker, predecessor in ownership of the property, that for a period of four years prior to 1917 he had served water for irrigation purposes for compensation to all applicants. This clearly establishes the practices of the utility in this regard, and it would therefore appear that complainant in this proceeding is entitled to the service of water for irrigation.

From the evidence it appears that the complaint in regard to extension of mains was probably due to a misunderstanding. At any rate, all parties to this proceeding have agreed to the plan submitted by this Commission: the utility to install 100 feet of main for each new permanent consumer, and the consumer or owner of the property to advance the cost of the remainder, said cost to be returned to said owner or

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consumer when the annual income derived from such service shall have reached an amount equal to twenty per cent of the cost of installation.

Mr. Prescott T. Stevens, President of Palm Valley Water Company, testified that the company would install a reservoir and provide for a more adequate supply of water; also that it was the purpose of the company to install meters. These improvements will no doubt curtail the excessive use of water and better the service.

ORDER.

Pearl McCallum McManus having filed formal complaint with the Railroad Commission against Palm Valley Water Company, as outlined above, a public hearing having been held, the matter having been submitted and being now ready for decision:

It is hereby found as a fact that complainant herein is entitled to the service of water for irrigation purposes by said Palm Valley Water Company.

And basing its order on the foregoing finding of fact and the other statements of fact contained in the opinion which precedes this order;

It is hereby ordered, that Palm Valley Water Company be and it is hereby directed to furnish said service of water for the purposes of irrigation to said complainant.

It is hereby further ordered, that the complaint of Pearl McCallum McManus, in so far as it relates to service conditions, be and it is hereby dismissed without prejudice, it appearing to the Commission that Palm Valley Water Company has inaugurated a program of betterment and improvement which will result in satisfactory service.

Dated at San Francisco, California, this sixteenth day of June, 1920.

DECISION No. 7716.

IN THE MATTER OF THE APPLICATION OF GEORGE F. COKELY FOR A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY.

Application No. 5255.

Decided June 16, 1920.

Harry L. Huston, for Applicant.

MARTIN, *Commissioner.*

OPINION.

George F. Cokely, applicant herein, is the owner of certain water rights on Panoche and Silver creeks in Fresno County, California, also the owner of 6720 acres of land which he proposes to irrigate from a dam and irrigation system now under construction on Panoche Creek. He proposes later to subdivide this land into smaller tracts and put

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it on the market, and continue irrigation service to the purchasers thereof.

In the above entitled proceeding applicant asks the Railroad Commission for authority to operate the above described irrigation system as a public utility and for a certificate declaring that public convenience and necessity require the same.

Heretofore, as provided in this Commission's General Order No. 50, George F. Cokely submitted plans and specifications to the Commission for the construction of the dam on Panoche Creek, whereby the flood waters will be stored to provide water for irrigation under this system. The Commission's engineers have made a detailed study and investigation of the plans and specifications submitted and have inspected the structure under construction, and it appears that the requirements of the Commission have been complied with.

A public hearing was held in this application, and it appears that the land which it is proposed to irrigate under this system is fertile and adapted to cultivation. An irrigation system such as applicant proposes to construct would provide water for the irrigation of the lands in question and would inure to the benefit of the territory. There is no other competing public utility irrigation system operating there at the present time, and at the public hearing in this matter no objection was filed to the construction or operation of the proposed irrigation system.

The Commission has not been furnished with any specific information showing how applicant intends to raise the money to pay for the construction of the dam and irrigation system. Though the necessary authority permitting applicant to proceed with the construction of the dam and irrigation system is herein granted, such authority should not be interpreted as committing the Commission to approve any financial plan which applicant, his successors or assigns, may hereafter submit to the Commission. Not until a formal application has been filed with the Commission and a hearing had thereon can the Commission determine what amount of stock, bonds or notes may be issued for the purpose of financing this project.

ORDER.

George F. Cokely having made application to the Railroad Commission for a certificate declaring that public convenience and necessity require the operation of a certain public utility irrigation system:

The Railroad Commission hereby declares that public convenience and necessity require the operation of said public utility water system for the irrigation of lands comprising 6720 acres now owned by George F. Cokely in townships 14 and 15 south, ranges 12 and 13 east, M. D. B. and M.; and

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It is hereby ordered, that on or before the date when George F. Cokely inaugurates the operation of said irrigation system as a public utility, he shall file with the Railroad Commission for its approval a schedule of the rates proposed to be charged by him for service and a copy of the rules and regulations under which he proposes to operate said system.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this sixteenth day of June, 1920.

DECISION NO. 7717.

IN THE MATTER OF THE APPLICATION OF IDA F. BASS FOR AN ORDER AUTHORIZING AND PERMITTING HER TO SELL, BY AGREEMENT OF SALE, CERTAIN TELEPHONE LINES IN SHASTA COUNTY, CALIFORNIA, TO GEORGE W. JOHNSTONE.

Application No. 5411.

Decided June 16, 1920.

Chenoweth and Leininger, by *Orr M. Chenoweth,* for Applicant.

BY THE COMMISSION.

OPINION.

In this application Ida F. Bass asks the authorization of this Commission to sell a telephone business and system, locally known as the Bass lines, serving certain subscribers in Shasta County to George W. Johnstone, her son-in-law.

The application sets forth that Ida F. Bass is a widow of the age of sixty-three years; that it is impossible for the applicant, Ida F. Bass, to personally attend to the management and operation of the business and system; that the income from the said telephone lines does not justify the expenditure necessary to secure a competent man to manage and operate the system; that the applicant proposes to sell said telephone system to George W. Johnstone, her son-in-law, who has had charge of said telephone system for several months last past and who is competent to manage and maintain said telephone system and improve the service thereon; that in the management of said telephone system said George W. Johnstone will be assisted by his wife, who has had many years experience in assisting in the operation of said telephone lines.

A public hearing was held at Redding, California, May 24, 1920, before Examiner Satterwhite.

The Commission has not made an examination or obtained a valuation of this telephone system. The property which it is proposed herein to

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convey is described in the proposed agreement marked Exhibit "A" and made a part of the application as follows:

> That certain telephone business formerly conducted under the name of "Herbert Bass," who is now deceased, and "Redding, Ingot and Wengler Telephone Company, a corporation," in Shasta County, California, the lines of which business connect with Redding, Churn Creek, Buckeye, Bella Vista, Palo Cedro, Stillwater, Millville, Fern, Ingot, Henderson, Round Mountain, Montgomery Creek, Wengler, Burney, Carbon and Fall River Mills, together with all poles, wires, telephone boxes and equipment of every kind and nature used in connection with said telephone line.

The consideration named for the proposed sale and transfer is eight thousand dollars ($8,000), to be paid as follows: One thousand, two hundred dollars ($1,200) on or before the first day of March, 1920; one thousand, two hundred dollars ($1,200) on or before the first day of March, 1921; six hundred dollars ($600) on or before the first day of March, 1922; two thousand dollars ($2,000) on or before the first day of January, 1923; three thousand dollars ($3,000) on or before the first day of January, 1925; together with interest on all deferred payments from January 1, 1920, at the rate of five per cent (5%) per annum, to be paid annually on the first day of January of each and every year commencing with January 1, 1921.

Authority to execute the agreement of purchase and sale, Exhibit "A," is also desired.

Since it appears that as far as the public service is concerned the proposed purchaser should be better able to serve the public than the present owner, we believe that the petition to transfer this property should be granted.

ORDER.

Ida F. Bass having applied to the Railroad Commission for authority to sell to George W. Johnstone the telephone exchange and system of the former, located in Shasta County, California, and connecting the communities of Redding, Churn Creek, Buckeye, Bella Vista, Palo Cedro, Stillwater, Millville, Fern, Ingot, Henderson, Round Mountain, Montgomery Creek, Wengler, Burney, Carbon and Fall River Mills, including all of its permits, privileges or franchises, and to execute an agreement of purchase and sale as set forth in the preceding opinion, and a public hearing having been held thereon and it appearing to the Commission that the public interest will be subserved thereby;

It is hereby ordered, that the application herein be and it is hereby granted; provided, that the amount named as the consideration for said transfer shall not be taken before this Commission or other authority as representing the value of said property for rate fixing or other purposes; and

Provided, further, that the authority herein granted will not become effective until George W. Johnstone has paid the fee prescribed in the Public Utilities Act; and

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Provided, further, that the authority herein granted will apply only to such property as may be transferred on or before August 31, 1920.

Dated at San Francisco, California, this sixteenth day of June, 1920.

DECISION NO. 7718.

IN THE MATTER OF THE APPLICATION OF H. E. WILLIAMS TO SELL, AND E. R. FEUZ TO PURCHASE, A CERTAIN TELEPHONE SYSTEM KNOWN AS THE WILLIAMS TELEPHONE SYSTEM.

Application No. 5011.

Decided June 16, 1920.

Chenoweth and Leininger, by *Orr M. Chenoweth*, for Applicants.

BY THE COMMISSION.

OPINION.

In this application H. E. Williams asks the authorization of this Commission to sell a telephone system locally known as the Williams' lines, serving certain subscribers in Shasta, Siskiyou and Lassen counties, to E. R. Feuz, his son-in-law.

The application sets forth that H. E. Williams' telephone system consists of approximately 125 miles of line, one hundred telephones and necessary material and supplies. The application further sets forth that H. E. Williams, on account of advancing age, is unable to give proper attention to the maintenance and operation of the telephone system, that the proposed purchaser, E. R. Feuz, has been since October 1, 1919, and now is actually operating the system and is better able to conduct its affairs and serve the public than is the applicant, H. E. Williams.

A public hearing was held at Redding, California, May 24, 1920, before Examiner Satterwhite.

The reasons assigned for the transfer appear to be good and sufficient.

The Commission has not made an examination or obtained a valuation of this telephone system. The property which it is proposed herein to convey is described in a proposed agreement and bill of sale, copies of which were filed with the Railroad Commission on May 26, 1920, as follows:

> That certain telephone business commonly known as the "Williams' Telephone Line" situated in Shasta and Lassen counties, California, the lines of which business connect from Cassel, with Burney, Goose Valley, Hat Creek, Fall River Mills, Carbon, Pittville, McArthur, Glenburn, Dana, Bear Flat and Bartle.
>
> Together with all poles, wires, telephone boxes and equipment of every kind and nature used in connection with said telephone business.

The consideration named for the proposed sale and transfer is three thousand ($3,000) dollars, payable on the first day of October of

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each year, commencing with the first day of October, 1920, in equal installments of one hundred twenty ($120) dollars without interest, until the full sum of three thousand ($3,000) dollars shall have been paid, as set forth in a promissory note, copy of which was also filed with the Commission on May 26, 1920. Authority to execute this note is also desired.

Since it appears that as far as the public service is concerned, the proposed purchaser should be better able to serve the public than the present owner, we believe that the petition to transfer this property should be granted.

ORDER.

H. E. Williams having applied to the Railroad Commission for authority to sell to E. R. Feuz, the telephone exchange and system of the former, located in Shasta, Siskiyou and Lassen counties, and serving the communities of Cassel, Burney, Goose Valley, Hat Creek, Fall River Mills, Carbon, Pittville, McArthur, Glenburn, Dana, Bear Flat and Bartle, and vicinities adjacent thereto, including its permits, privileges or franchises, and to issue his promissory note in the sum of three thousand dollars ($3,000), payable in installments of one hundred twenty dollars ($120) per annum without interest, and a public hearing having been held thereon, and it appearing to the Commission that the public interest will be subserved thereby;

It is hereby ordered, that the application herein be and it is hereby granted; provided, that the amount named as the consideration for said transfer shall not be taken before this Commission or other authority as representing the value of said property for rate fixing or other purposes; and

Provided, further, that the authority herein granted will not become effective until E. R. Feuz has paid the fee prescribed by the Public Utilities Act; and

Provided, further, that the authority herein granted will apply only to such transfer as may be made on or before August 31, 1920.

Dated at San Francisco, California, this sixteenth day of June, 1920.

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DECISION NO. 7719.

C. M. HARRIS ET AL.

vs.

CALIFORNIA VINEYARDS AND IMPROVEMENT COMPANY, A CORPORATION.

Case No. 1171.

IN THE MATTER OF THE APPLICATION OF THE CALIFORNIA VINEYARDS AND IMPROVEMENT COMPANY, A CORPORATION, FOR AN ORDER FIXING RATES TO BE CHARGED FOR WATER.

Application No. 4337.
Decided June 16, 1920.

BY THE COMMISSION.

FIRST SUPPLEMENTAL ORDER.

On June 3, 1919, the Railroad Commission made its order (Decision No. 6382) in Case No. 1171, *C. M. Harris et al.* vs. *California Vineyards and Improvement Company*, and Application No. 4337, *In the Matter of the Application of California Vineyards and Improvement Company, a corporation, for an Order Fixing Rates to be Charged for Water,* a part of which order reads as follows:

> *It is hereby ordered*, that California Vineyards and Improvement Company * * * file with the Railroad Commission, within twenty days of the date of this order, detailed plans for the improvement of its water system by the installation of a tank of not less than 20,000 gallons capacity. Upon the approval by the Commission of the plans for the contemplated improvements the company shall proceed with due diligence thereafter to execute such plans, and shall report progress every thirty days thereafter until completion of the improvements.

On June 14, 1919, California Vineyards and Improvement Company filed an application for rehearing, asking that the Commission reverse its order in so far as it relates to the installation of the tank required by that portion of its order above quoted, and thereupon the Commission made its order extending the effective date of Decision No. 6382 in that particular regard, until the further order of said Commission. The application for rehearing was subsequently denied (Decision No. 6932, dated December 9, 1919).

On February 24, 1920, however, California Vineyards and Improvement Company filed with the Railroad Commission a petition signed by the entire list of water consumers of said company, asking that the Commission withdraw its order requiring said company to install a reservoir or storage tank.

Subsequent to the filing of this petition, a field investigation of the water system in question was made by a representative of the Commission's engineering department, and upon consulting with the principal complainants in this matter, it was found that a general

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disposition prevailed to allow California Vineyards and Improvement Company to be relieved of the Commission's requirement as to the improvement of facilities specified.

Taking the above facts into consideration;

It is hereby ordered, that that part of this Commission's order (Decision No. 6382), above quoted, be and the same is hereby rescinded and set aside, said order in all other respects to remain in full force and effect.

Dated at San Francisco, California, this sixteenth day of June, 1920.

DECISION NO. 7722.

IN THE MATTER OF THE JOINT APPLICATION OF CALIFORNIA POWER AND MANUFACTURING COMPANY, A CORPORATION, AND MOUNT SHASTA POWER CORPORATION, A CORPORATION, AND PACIFIC GAS AND ELECTRIC COMPANY, A CORPORATION, FOR AN ORDER OF THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA AUTHORIZING AND APPROVING AN AGREEMENT OF SALE AND AUTHORIZING AN EXECUTION AND DELIVERY OF PROMISSORY NOTES.

Application No. 5759.

Decided June 16, 1920.

Charles W. Slack and *E. T. Zook*, for California Power and Manufacturing Company.
Wm. B. Bosley and *C. P. Cutten*, for Mount Shasta Power Corporation and Pacific Gas and Electric Company.

LOVELAND, *Commissioner*.

OPINION.

In this application, petitioners ask the Railroad Commission to make its order authorizing:

1. California Power and Manufacturing Company to sell, transfer and convey to Mount Shasta Power Corporation all of its properties described in applicant's Exhibit No. 2;

2. Mount Shasta Power Corporation to purchase such property for $110,902.54, subject to the terms and conditions of that certain agreement of sale dated March 1, 1920, a copy of which is attached to the petition herein and marked Exhibit "D";

3. Mount Shasta Power Corporation and Pacific Gas and Electric Company to issue to California Power and Manufacturing Company their two joint and several 6 per cent promissory notes, one payable on or before March 1, 1921, and the other on or before March 1, 1922, each of said notes to be for the principal sum of $55,451.27.

The record shows that the California Power and Manufacturing Company is engaged in the generation and delivery of electricity for light, heat and power in and about the towns of McArthur and Fall River Mills, Shasta County, California, and that it has a right to use

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60 second feet of water through its generating plant on Fall River. The right to use this water is reported to be essential to Mount Shasta Power Corporation in order to enable it to make the most effective use of its water rights, on the Pit and Fall rivers. California Power and Manufacturing Company has agreed to sell all of its properties, except money in its treasury, notes and accounts receivable, to Mount Shasta Power Corporation for $110,902.54. The properties are to be transferred free and clear of all liens and encumbrances, except the lien of taxes for the fiscal years commencing July 1, 1919 and July 1, 1920. The purchasing company agrees to perform all the public utility duties and obligations now resting upon the vendor.

Mount Shasta Power Corporation is, through stock ownership, controlled by Pacific Gas and Electric Company, which as well as the Mount Shasta Power Corporation will sign the notes issued in payment for the properties. The $110,902.54 to be paid for the properties, represents according to the testimony, the original cost plus 6 per cent interest on the investment.

I herewith submit the following form of order:

ORDER.

Application having been made to the Railroad Commission for authority to transfer property and issue $110,902.54 face value of notes, a public hearing having been held, and the Railroad Commission being of the opinion that the money, property or labor to be procured or paid for by the issue of such notes is reasonably required for the purpose specified in this order, and that the expenditures for such purpose are not in whole or in part reasonably chargeable to operating expenses or to income;

It is hereby ordered, that California Power and Manufacturing Company be and it is hereby authorized to sell, and Mount Shasta Power Corporation be and it is hereby authorized to purchase, for $110,902.54, all those properties described in applicant's Exhibit No. 2, such sale and purchase to be made pursuant to the terms and conditions of the agreement attached to the petition herein and marked Exhibit "D"; provided—

1. That the consideration at which the public utility properties are herein authorized to be transferred will not be urged as a measure of value of said properties before this Commission, or any other public body, for rate-fixing or any purposes other than the transfer herein authorized.

2. That Mount Shasta Power Corporation, within thirty days after the transfer of the properties, file with the Railroad Commission a

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certified copy of the deed under which it secures the title to the properties.

It is hereby further ordered, that Mount Shasta Power Corporation and Pacific Gas and Electric Company be, and they are hereby, authorized to issue to California Power and Manufacturing Company for the purpose of acquiring said properties, their two joint and several 6 per cent promissory notes dated March 1, 1920, one maturing on March 1, 1921 and the other on March 1, 1922, each of said notes to be for the principal sum of $55,451.27; provided—

(*a*) That Mount Shasta Power Corporation and Pacific Gas and Electric Company will keep such record of the issue and sale of the notes herein authorized, and of the disposition of the proceeds, as will enable them to file, on or before the twenty-fifth day of each month, a verified report as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

(*b*) The authority herein granted will not become effective until the fee prescribed in the Public Utilities Act has been paid.

(*c*) The authority herein granted to transfer property and issue notes will apply only to such property as may be transferred and such notes as may be issued on or before November 15, 1920.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this sixteenth day of June, 1920.

DECISION No. 7728.

IN THE MATTER OF THE APPLICATION OF ROCHESTER OIL COMPANY FOR AUTHORITY TO TEMPORARILY DISCONTINUE GAS SERVICE.

Application No. 5662.

Decided June 16, 1920.

BY THE COMMISSION.

OPINION.

Rochester Oil Company, engaged in supplying gas for domestic purposes to approximately one hundred consumers in the cities of Fairfield and Suisun, Solano County, California, asks that it be authorized to temporarily discontinue its gas service by reason of the failure of its natural gas supply.

For some time the yield of its natural gas well has become gradually depleted and service has been intermittent. Applicant is now engaged in further prospecting and drilling for natural gas in the immediate

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vicinity of its present well and anticipates obtaining a renewed and adequate supply of natural gas within ten months. It further appears that its consumers have at hand other means of heating and are not entirely dependent upon gas service, so that a temporary cessation of service would not seriously inconvenience its consumers.

An investigation has been made in this matter, which confirms the necessity of applicant's request.

ORDER.

The Railroad Commission of the State of California being of the opinion that the gas service of Rochester Oil Company should be temporarily discontinued until a new and adequate supply of natural gas is obtained, and that no hearing is necessary in this matter;

It is hereby ordered, that Rochester Oil Company be and it is hereby authorized to discontinue gas service on July 1, 1920, until such time as it shall have obtained a renewed and adequate supply of natural gas, or until such other time as this Commission shall hereafter order resumption of service.

Provided, Rochester Oil Company shall serve notice upon each of its consumers of the temporary discontinuance of its service at least ten days prior to July 1, 1920; and further provided, that Rochester Oil Company shall file with the Railroad Commission, on or before the tenth day of each month, a statement showing the progress of its efforts to renew its natural gas supply.

Dated at San Francisco, California, this sixteenth day of June, 1920.

DECISION No. 7736.

IN THE MATTER OF THE APPLICATION OF NORTHWESTERN PACIFIC RAILROAD COMPANY FOR AN ORDER AUTHORIZING THE ISSUE OF BONDS OF THE FACE VALUE OF ONE MILLION EIGHT THOUSAND DOLLARS.

Application No. 5702.

Decided June 16, 1920.

Stanley Moore, for Applicant.

J. W. McCaughey and *J. D. Connolly*, for Protestants.

MARTIN, *Commissioner.*

OPINION.

Northwestern Pacific Railroad Company asks permission to issue $1,008,000 face value of its first and refunding mortgage 4½ per cent bonds due March 1, 1957. It intends to sell the bonds to the Southern Pacific Company at 95 and accrued interest and use the proceeds to reimburse its treasury.

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Applicant reports that from September 30, 1915 to February 29, 1920, it expended for additions and betterments the sum of $958,062. This amount was expended for the following purposes:

Road	$846,509 77
Equipment	114,496 00
General expense (credit)	2,943 34
Total	$958,062 43

W. S. Palmer, president of Northwestern Pacific Railroad Company, testified that if this application is granted and applicant permitted to reimburse its treasury on account of expenditures of $958,062, it would invest all the proceeds obtained from the sale of bonds in new equipment and additions and betterments, and that it is not the intention of the company to withdraw any of the moneys obtained from the sale of its bonds from its business.

The record shows that the company is in need of equipment, the cost of which is estimated at $1,026,500. The needed equipment consists of one tug, one car float, sixty logging flats, fifty stock cars, fifty steel gondolas, ten cabooses, two steel baggage cars, six steel coaches, twelve vestibule wooden coaches for main line use, twelve wooden coaches for suburban service, and three locomotives.

J. W. McCaughey and J. D. Connolly urge the Commission to require applicant to broad gauge its track from Point Reyes to Monte Rio, a distance of about 38 miles, and improve its service between these points. Recently the company has completed broad gauging its track from Sausalito to Point Reyes. The change from a broad to a narrow gauge track at Point Reyes necessitates a transfer of all passengers, freight and express at that point, with consequent delay, particularly in freight shipments. The testimony of W. S. Palmer shows that whenever a structure is rebuilt on the narrow gauge track, it is constructed so as to take care of a broad gauge track, and finally, the 38 miles of narrow gauge track will be eliminated and a broad gauge track substituted. He also takes the position that the broad gauging of the track between Point Reyes and Sausalito has released narrow gauge equipment formerly used between those points, and that this equipment can now be used between Point Reyes and Monte Rio, and that as a result, the company can offer better service. Protestants also asked for more frequent train service. The matter of service is being made the subject of a separate investigation, and I do not believe that it is necessary to hold up a decision in this matter until such investigation is completed. If applicant and protestants are unable to reach a satisfactory agreement, the Commission, of course, will give consideration to a formal complaint.

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I do not believe that the Commission should at this time, and under existing conditions, insist that the company appropriate proceeds from the sale of the bonds herein authorized to broad gauge the track between Point Reyes and Monte Rio. I believe that this work should be carried forward as rapidly as applicant's finances permit, taking into account the operations and the service to be rendered by applicant over its entire system.

I herewith submit the following form of order:

ORDER.

Northwestern Pacific Railroad Company having applied to the Railroad Commission for permission to issue $1,008,000 of bonds, a public hearing having been held, and the Railroad Commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required for the purpose or purposes specified in this order, and that the expenditures for such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income:

It is hereby ordered, that Northwestern Pacific Railroad Company be and it is hereby authorized to issue and sell, on or before October 1, 1920, at not less than 95 per cent of their face value plus accrued interest, $1,008,000 of its first and refunding mortgage 4½ per cent bonds due March 1, 1957, and use the proceeds to reimburse its treasury on account of expenditures on capital account made from September 30, 1915 to February 29, 1920, referred to in this application; provided, that—

1. All the proceeds obtained from the sale of bonds herein authorized be used by applicant to acquire additional railway equipment or construct extensions, additions and betterments.

2. Northwestern Pacific Railroad Company will keep such record of the issue and sale of the bonds herein authorized and of the disposition of the proceeds as will enable it to file, on or before the twenty-fifth day of each month, a verified report as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

3. The authority herein granted will not become effective until applicant has paid the fee prescribed in the Public Utilities Act.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this sixteenth day of June, 1920

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DECISION No. 7739.

IN THE MATTER OF THE APPLICATION OF GREAT WESTERN POW COMPANY OF CALIFORNIA FOR AN ORDER AUTHORIZING SA COMPANY TO DISCONTINUE DEVIATIONS FROM SCHEDU RATES FOR STEAM SERVICE.

Application No. 5177.

Decided June 18, 1920.

BY THE COMMISSION.

ORDER DENYING PETITION FOR REHEARING.

A petition for rehearing having been filed herein on June 1, 19 and the Commission, after fully considering said petition, having c cluded that the matters therein set forth were fully considered pr to the making of the order as to which such rehearing is sought, a that the matters therein set forth as grounds for such rehearing a not such as would justify the granting of said petition;

It is hereby ordered, that said petition for rehearing be and the sa is hereby denied.

Dated at San Francisco, California, this eighteenth day of June, 19

DECISION No. 7740.

IN THE MATTER OF THE APPLICATION OF SOUTH LOS ANGEL LAND AND WATER COMPANY, A CORPORATION, TO SELL, A THE CITY OF HUNTINGTON PARK TO PURCHASE, THE WAT SYSTEM NOW BEING OPERATED IN THE CITY OF HUNTINGT PARK, LOS ANGELES COUNTY, CALIFORNIA.

Application No. 5782.

Decided June 18, 1920.

BY THE COMMISSION.

ORDER.

Application having been made to the Railroad Commission as entitl above, for authority to transfer certain public utility water proper in accordance with the terms of a certain agreement attached to sa application, the property which it is desired to transfer being m particularly described in said indenture; and it appearing to the Co mission that this is not a matter in which a public hearing is necessa and that the application should be granted;

It is hereby ordered, that the application herein be and the same hereby granted, subject to the following conditions:

1. The authority herein granted to transfer said water system sh apply only to such transfer as may have been made on or before Dece ber 31, 1920, and a certified copy of the instrument of conveyance tra ferring the property herein authorized to be transferred shall be fi

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by the city of Huntington Park with the Railroad Commission within thirty days of the date on which it is executed.

2. Within ten (10) days of the date on which South Los Angeles Land and Water Company actually relinquishes control and possession of the properties herein authorized to be transferred, a statement shall be filed by said company with the Railroad Commission, indicating the date on which such control and possession was actually relinquished.

Dated at San Francisco, California, this eighteenth day of June, 1920.

DECISION NO. 7741.

IN THE MATTER OF THE APPLICATION OF SOUTHERN PACIFIC COMPANY FOR THE APPROVAL OF A LEASE OF RAILROAD EQUIPMENT AND AN AGREEMENT PROVIDING FOR THE CONSTRUCTION OF SUCH EQUIPMENT AND THE ISSUANCE OF TRUST CERTIFICATES, SERIES "E."

Application No. 5810.

Decided June 18, 1920.

JURISDICTION—EQUIPMENT TRUST NOTES—ISSUANCE OF.—The Railroad Commission of California has no jurisdiction over the issuance of equipment trust certificates by an interstate carrier except as to that portion of such certificates as will be used to acquire equipment proposed to be operated solely in intrastate traffic.

Guy V. Shoup, for Applicant.

LOVELAND, *Commissioner*.

OPINION.

This is an application for an order of this Commission approving a certain lease of railroad equipment, dated June 1, 1920, from Commercial Trust Company to Southern Pacific Company, and an agreement dated June 1, 1920, between Harry E. Righter and Andrew S. Hannum with Commercial Trust Company and Southern Pacific Company, in so far as said lease and agreement (Exhibit "A") relate to equipment to be used wholly for intrastate purposes within the State of California, and authorizing the issue of 7 per cent Southern Pacific Company equipment trust certificates, series "E," at 96½ per cent of their face value plus accrued dividends, to the extent that the issue of said equipment trust certificates is necessary to procure the equipment to be used wholly for intrastate purposes within the State of California; and further authorizing Southern Pacific Company to guarantee the payment of said equipment trust certificates and the dividend coupons attached thereto.

Applicant reports that the equipment now owned by its lessor and proprietary companies and used in the conduct of their business as common carriers is not and will not be sufficient for the proper and efficient transportation of freight and passenger traffic over the operated

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lines of applicant, its lessor and proprietary companies. Arrangements have therefore been made to acquire additional railroad equipment, the estimated cost of which is approximately $22,500,000. To enable it to purchase this equipment, applicant intends to issue $15,000,000 of equipment trust certificates at 96¼ per cent of their face value plus accrued dividends. The equipment trust certificates mature at the rate of $1,250,000 per annum from June 1, 1924, to June 1, 1935, both inclusive. The balance of the purchase price will be paid in cash.

The testimony shows that most of the equipment will be used in interstate commerce, or in states other than California. The equipment which will be used wholly for intrastate purposes within the State of California consists of:

10 electric trailer coaches lettered "P. E."	$260,000 00
39 electric motor cars,	331,534 00
12 lettered "F. T. Co." (Fresno Traction Company), 15 lettered "S. E. R. R." (Stockton Electric Railroad), 22 lettered "S. J. R. R." (San Jose Railroad).	
49 electric motor cars lettered "P. E."	326,680 00
20 interurban electric motor cars lettered "P. E."	900,000 00
2 electric locomotives lettered "P. E."	85,000 00
Total	$1,903,214 00

The Commission in Decision No. 947, dated September 15, 1913 (Vol. 3, Opinions and Orders of the Railroad Commission of California, p. 562), in effect held that it had no jurisdiction over the issue of equipment trust certificates issued for the purpose of acquiring equipment to be used in interstate commerce, or in states other than California. I am in accord with this view, and believe that the Commission's jurisdiction applies only to the execution of the lease and agreement, the issue of equipment trust certificates, and the guarantee of the payment of such certificates by the Southern Pacific Company, in so far as those matters relate to the purchase of equipment to be used wholly for intrastate purposes within the State of California. The order herein will, among other things, authorize the issue of $1,903,214, face value, of equipment trust certificates, an amount which represents the cost of the equipment to be used wholly for intrastate commerce within the State of California.

I herewith submit the following form of order:

ORDER.

Southern Pacific Company having applied to the Railroad Commission for an order authorizing it to enter into a lease of railroad equipment and an agreement covering the issue of equipment trust certificates, and guarantee the payment of such equipment trust certificates as indicated in the foregoing opinion, a public hearing having been held, and the Commission being of the opinion that the money, property or labor to be procured or paid for by the issue of equipment trust

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certificates herein authorized is reasonably required by applicant and that the expenditures for such purposes are not in whole or in part reasonably chargeable to operating expenses or to income;

It is hereby ordered, that Southern Pacific Company be and it is hereby granted authority to enter into a lease of railroad equipment from Commercial Trust Company, and to enter into an agreement with Harry E. Righter and Andrew S. Hannum and Commercial Trust Company, said proposed lease and agreement to be substantially in the form of the lease and agreement heretofore filed with this Commission in this proceeding and marked Exhibit "A," it being understood that the authority herein granted to enter into said lease of railroad equipment and agreement relates only to equipment to be used wholly for intrastate purposes within the State of California.

It is hereby further ordered, that Southern Pacific Company be and it is hereby granted authority to guarantee the payment of 7 per cent equipment trust certificates in the amount of $1,903,214 and dividend warrants attached thereto, the issue of which equipment trust certificates is hereby authorized for the purpose of enabling applicant to acquire equipment to be used wholly for intrastate purposes in the State of California.

The authority herein granted is subject to the further conditions, as follows:

1. The equipment trust certificates herein authorized to be issued shall be sold for not less than 96½ per cent of their face value, plus accrued dividends, and the proceeds used to pay in whole or in part for the equipment set forth in the foregoing opinion, which equipment will be used wholly for intrastate purposes within the State of California.

2. Southern Pacific Company shall keep such record of the issue and sale of the equipment trust certificates herein authorized and of the disposition of the proceeds as will enable it to file, on or before the twenty-fifth day of each month, a verified report as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

3. The authority herein granted will not become effective until applicant has paid the fee prescribed in the Public Utilities Act.

4. The authority herein granted will apply only to such equipment trust certificates as may have been issued on or before December 1, 1920.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this eighteenth day of June, 1920.

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DECISION NO. 7744.

IN THE MATTER OF THE APPLICATION OF THE IMPERIAL VALLEY GAS COMPANY FOR PERMISSION TO CEASE OPERATIONS, OR FOR OTHER RELIEF.

Application No. 5653.

Decided June 19, 1920.

GAS SERVICE—ABANDONMENT OF.—The application of a gas company in the hands of a receiver to abandon service is temporarily denied on the ground that the discontinuance of service would work considerable hardship on its consumers, there being no other fuel available. A revised schedule, affecting material increases in rates established for a period of six months, during which time applicant is directed to proceed with a view to rehabilitating its financial condition and improving its plant to enable economies in operating methods, so that continued operation can be maintained on a paying basis.

C. E. Paris, receiver, and *Ross E. Hickox*, for Applicant.

J. S. LaRue, city attorney, for city of El Centro.

H. N. Dyke, city attorney, for city of Imperial.

P. O. Lack, for citizens of Brawley.

BRUNDIGE, *Commissioner*.

OPINION.

On behalf of Imperial Valley Gas Company, C. E. Paris, receiver, applies herein for authority to discontinue service, or for such other relief as the Commission may find just and proper in the premises. It is alleged that the revenue derived from the operation of applicant's properties is insufficient to pay operating expenses, exclusive of bond interest or an allowance for depreciation. The cost of oil and labor to it has increased very materially, and the physical condition of its pipe lines has become such that losses of gas therefrom are excessive. These conditions resulted in the properties being taken over by the receiver on January 6, 1920. A hearing was held in El Centro on June 2, 1920, and the matter submitted.

The present gas rates were established by Decision No. 5706, dated August 26, 1918, and, although they had for some time proved insufficient to meet the requirements for maintenance and operation of applicant's system, no application has been heretofore made for relief.

Applicant is engaged in serving artificial gas to the towns of El Centro, Imperial and Brawley, the two latter being supplied through high pressure transmission lines from the generating plant at El Centro. Investigation of applicant's operations indicates that, to a large extent, its excessive costs are the result of very heavy leakage of gas in its transmission lines, and, in part, from inefficient plant operation. Soil conditions in Imperial Valley are apparently very detrimental to pipe. Tests which have been made upon the different portions of this system indicate monthly losses of 2,500,000 cubic feet on the Brawley line,

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725,000 cubic feet on the El Centro line, and 290,000 cubic feet on Imperial line, or a total of 3,515,000 cubic feet per month for the entire system. The Brawley line is fourteen miles in length, and about four miles of this traverses black alkali land where the pipe is badly deteriorated.

In its Decision No. 6431, in the complaint of the *City of Brawley* vs. *Imperial Valley Gas Company*, relative to inadequate gas service, this Commission ordered that Imperial Valley Gas Company make certain improvements and betterments to its system for the purpose of improving service and reducing operating costs. None of this work has been undertaken, and the quality of gas now supplied is far below standard. It is alleged that it has been impossible to procure funds for these plant improvements and line replacements, which would have resulted in materially reducing operating costs and improving service conditions.

To place applicant's properties on a reasonably satisfactory operating basis, it would be necessary that four miles of the Brawley transmission line, which is in very poor condition, be replaced with three inch pipe; this would reduce leakage and increase line capacity, which is needed, and permit operation at lower pressures. The installation of a new 150-horsepower boiler, and a rearrangement of the lampblack boxes at the El Centro plant, would materially reduce plant expenses. A positive-pressure blower for boosting the gas supplied locally in El Centro would avoid the wasted expense of high compression of a large part of the gas delivered. The erection of storage capacity at Brawley is the only means by which satisfactory service to that town may be assured. Consideration has been given to the proposal that the sale of the distributing systems in Brawley and Imperial at nominal amounts would provide sufficient funds to rehabilitate the transmission lines, permit the delivery of gas to these communities upon an efficient basis, and provide a fair return to applicant. Exclusive of gas holders, improvements to applicant's system, which are at present imperative for a successful continuance of operations, would cost approximately $20,000.

Operations for the first five months of 1920 under the receiver continue to show a deficit, and a continuance of the receivership under present conditions will be of no benefit to either the consumers or the creditors. Because of the high cost of oil and labor, it is impossible for applicant to continue to operate under its present rates except at a heavy loss, and it has been found impossible to sell receiver's certificates to raise funds to meet current expenses. During the first five months of 1920, Imperial Valley Gas Company sold 17,143.9 thousand cubic feet of gas, from which it obtained a gross revenue of $40,785.

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Expenses for the same period amounted to $42,082, leaving an operating deficit of $1,297. The following tabulation shows operating statistics for the year 1919 with estimates for 1920. The revenues shown for 1920 include an increase in rates for the remainder of the year, as hereinafter established.

TABLE I.

Imperial Valley Gas Company.

	1919	Estimated 1920
Consumers:		
Brawley	298	300
Imperial	173	170
El Centro	807	810
Totals	1,278	1,280
Gas made, M. cubic feet	63,255.5	65,749.2
Gas sold	35,584.3	35,708.9
Gas unaccounted for	27,671.2	30,040.3
Barrels gas oil used	14,256	15,250
Gallons gas oil per M. sold	16.73	17.50
Revenue from gas sales	$79,258 75	$102,010 62
Operating expenses	77,667 03	93,043 74
Net for depreciation and return	$1,591 72	$8,966 88

The following table, showing an analysis of operating expenses for 1920, is based upon the conditions prevailing during the first five months of this year. Oil costs were based upon the present rate of $2.69 per barrel f. o. b. El Centro.

TABLE II.

Imperial Valley Gas Company.

	1919	1920
Production oil	$41,391 60	$48,400 00
Other	14,463 90	21,385 07
Transmission	3,184 90	5,517 91
Distribution	4,916 19	5,743 23
Commercial	1,288 81	1,183 15
General	9,174 54	5,084 38
Taxes	3,247 09	5,730 00
Depreciation		6,600 00
Totals	$77,667 03	$99,643 74
Revenue gas sales	79,258 75	102,010 62
Net return	$1,591 72	$2,366 88

Production expenses per thousand cubic feet of gas sold during 1919 increased to $2.182 as compared with $1.436 for 1918. Estimates for the year 1920 indicate that a cost, including an allowance for depreciation, will be $2.79 per thousand sold.

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No complete inventory of the properties of Imperial Valley Gas Company has been made by this Commission. However, the estimated historical cost may be taken as $200,000 for the purpose of this proceeding, as in our earlier fixing of rates.

By reason of the run down condition of the properties, and their inefficient operation, it does not seem reasonable, under present conditions, to establish a rate which would yield a full return. If the transmission lines were to be rebuilt, losses should be reduced to approximately twenty-two per cent, which would result in a saving of 4500 barrels of oil per year, at a cost of $12,000. This saving should be applied to plant improvements.

On June 1, 1920, a public meeting was held in El Centro, and the matter of discontinuance of gas service discussed by representatives of Brawley, Imperial and El Centro. Mr. W. F. Holt, for the Imperial Valley Gas Company, presented its financial situation, and stated that very material increases in gas rates would be required to pay operating expenses, because of excessive leakage on the trunk lines. The feasibility of purchase of local distributing systems in the towns of Brawley and Imperial by these communities was discussed. It was pointed out that gas storage is required in the town of Brawley, in order that adequate service be rendered. The following resolution was passed at this meeting, and presented to the Commission at the hearing herein:

Resolved, that we, the citizens interested in the service of Imperial Valley Gas Company, in mass meeting assembled, petition the honorable Railroad Commission of the State of California to deny the application of the receiver of said Imperial Valley Gas Company for permission to discontinue the service of said company; and, instead, that said honorable Commission fix such rates as in its wisdom it may find necessary to a continuance of said service.

The testimony of representatives of the three communities involved shows strong opposition to the discontinuance of gas service, there being no satisfactory substitute for gas fuel obtainable, and the loss of gas for cooking and other purposes would impose a serious hardship upon the present patrons of Imperial Valley Gas Company. A willingness was expressed on the part of consumers to pay such rates as may be found necessary to meet operating expenses for such a period as would be required to permit applicant to rehabilitate its properties and operations, and to readjust its finances.

The present rate schedule of Imperial Valley Gas Company provides for a monthly minimum charge of $1.50 per meter, except during the months of July and August, when many consumers leave the valley. In order that the consumers may continue to enjoy the benefits of gas service, it is believed that the remission of the minimum charge in the summer should be discontinued, and that a charge should be made for the reconnection of meters temporarily disconnected.

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In view of the strong public desire for continuance of gas service, and the expressed willingness to pay rates sufficient to keep applicant's system in operation, I believe applicant's petition to discontinue service should be denied, and, instead, the rates hereinafter set forth should be established to permit its rehabilitation and continued operation.

I submit the following form of order:

ORDER.

Receiver of Imperial Valley Gas Company having applied for permission to discontinue service, or for such other relief as the Railroad Commission may find just and reasonable, a public hearing having been held, and the matter being submitted and now ready for decision, the Railroad Commission of the State of California hereby finds as a fact that the discontinuance of gas service would result in an unjustifiable hardship upon the consumers of Imperial Valley Gas Company, and that rates hereinafter set forth will yield applicant sufficient revenue during the year 1920 to enable it to rehabilitate its properties and service, and to provide a reasonable return upon its investment thereafter.

Basing its order on the foregoing findings of fact, and upon the other findings of fact contained in the opinion which precedes this order;

It is hereby ordered, that the application of Imperial Valley Gas Company for authority to discontinue service be held in abeyance for a period of six months from the date of this order, and that in the interim Imperial Valley Gas Company be and it is hereby authorized to charge and collect the following rates for gas, effective for all regular meter readings taken on and after the twentieth day of June, 1920, to wit:

Schedule of Rates.

	Gross	Net
100 cubic feet per meter per month	$1 35	$1 25
200 cubic feet per meter per month	1 60	1 50
300 cubic feet per meter per month	1 85	1 75
400 cubic feet per meter per month	2 10	2 00
500 cubic feet per meter per month	2 35	2 25
600 cubic feet per meter per month	2 60	2 50
700 cubic feet per meter per month	2 85	2 75
800 cubic feet per meter per month	3 10	3 00
900 cubic feet per meter per month	3 35	3 25
First 1,000 cubic feet per meter per month	3 60	3 50
Next 4,000 cubic feet, per M. cubic feet	3 35	3 25
Next 10,000 cubic feet, per M. cubic feet	----------	3 00
Next 15,000 cubic feet, per M. cubic feet	----------	2 50
All over 30,000 cubic feet, per M. cubic feet	----------	2 00

Minimum charge.....$1.00 per meter per month

Meter connection charge, $2.00.

The net rate shall be effective for all bills paid at the office of the company on or before the tenth day of the month succeeding that for which the bill is rendered, otherwise the gross rate is effective.

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Provided, Imperial Valley Gas Company shall, within ten days from the date of this order, file with the Railroad Commission the schedule of rates herein established; and, further

Provided, Imperial Valley Gas Company shall file with the Railroad Commission each month a statement of the progress of its work of rehabilitation of its plant and service.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this nineteenth day of June, 1920.

DECISION No. 7745.

IN THE MATTER OF THE APPLICATION OF RIVERBEND GAS AND WATER COMPANY FOR AN ORDER AUTHORIZING AN INCREASE IN GAS RATES.

Application No. 3552.

(Third Supplemental Application.)

Decided June 19, 1920.

GAS RATES—SERVICE—INSUFFICIENCY OF.—In establishing gas rates for a utility which has heretofore been directed to improve its operating conditions so as to effect material economies in operating costs, none of which improvements have been made, the schedule established will not provide a full return on the value of its plant under insufficient methods of operation but should give applicant a substantial return upon installation and use of reasonable efficient operating methods. Revised schedule of rates established to become effective for all meter readings made on and after June 21, 1920.

Chaffee E. Hall, for Applicant.

BRUNDIGE, *Commissioner.*

OPINION.

In this third supplemental application Riverbend Gas and Water Company alleges that notwithstanding the increase of gas rates last granted it by Decision No. 6500, dated July 16, 1919, it has continued to operate with a deficit, and that the amount of this deficit will materially increase during the year 1920, due principally to recent increases in the cost of oil and labor. Applicant asks that the Railroad Commission fix such rates and charges for gas as shall permit applicant to pay operating expenses, to set aside proper amount for depreciation, and to earn a reasonable return upon its investment.

A hearing was held in Reedley on May 19, 1920, and the matter thereupon submitted.

Applicant is engaged in supplying artificial gas to about 1460 consumers in the towns of Dinuba, Reedley, Kingsburg and Parlier, through a high pressure transmission system from a central generating plant at Dinuba. During the year 1919 gas sales amounted to 42,459,100

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cubic feet, from which a gross revenue of $65,840.48, or $1.55 per thousand cubic feet, was derived. Operating expenses totaled $71,190.43 or $1.675 per thousand cubic feet, showing a deficit of $5,349.95, which amounts to $0.126 per thousand cubic feet.

The present rates, established by Decision No. 6500, are as follows:

First 500 cubic feet or less, per meter per month	$1 10
Next 3,500 cubic feet, per 1000 cubic feet	1 80
Next 6,000 cubic feet, per 1000 cubic feet	1 60
Next 15,000 cubic feet, per 1000 cubic feet	1 40
All over 25,000 cubic feet, per 1000 cubic feet	1 20

During the year 1919 Riverbend Gas and Water Company purchased 16,265 barrels of oil at an average cost of $1.996 per barrel and used 16.09 gallons per thousand cubic feet of gas sold. This shows a material improvement in operation over the preceding year, but not as high a duty as is believed reasonably possible. Operations for the first four months of this year indicate the duty of oil has fallen to 18.2 gallons per thousand cubic feet sold. This inefficiency is all the more serious in view of the fact that much of the work of gas compression which has formerly been done with steam engines has for some time been taken care of by a newly installed gas engine driven compressor, thereby reducing the amount of oil required for boiler use. Other inefficiencies exist due largely to lack of proper maintenance of the plant, and additional help is employed notwithstanding the fact that there has been no material increase in business. As now maintained and operated, applicant's plant is hazardous and in constant danger of loss from fire. This Commission has previously recommended the installation of new equipment, and its engineers have spent considerable effort in endeavoring to assist the management in bettering conditions. However, it is apparent that proper steps have not been taken to carry out the advice of this Commission, with the result that service conditions, especially in Kingsburg, have become very unsatisfactory. Due in part to absence of proper gas scrubbing equipment, applicant has failed to produce gas of the standard heating value required.

During the year 1919 applicant purchased oil at $1.35 and $1.60 per barrel, f.o.b. Coalinga, but has since entered into a purchasing agreement for delivery of such oil as it shall require at $1.70 per barrel f.o.b. Coalinga, this price to be subject to market fluctuations. The addition of freight and tax brings this figure to $2.12 per barrel delivered at its plant. For the remainder of this year approximately $2,100 will be added to the company's operating expenses on this account. Increase in regular pay roll of April, 1920, over December, 1919, amounts to $215 per month, to which should be added an allowance for the periodic hiring of a meter repairman. Increased labor costs will result in additional expenses of $3,365.

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The accompanying tabulation presents comparative operating statistics for the year 1919 and estimates for 1920:

TABLE No. 1.

Riverbend Gas and Water Company. Comparative Operating Statistics.

	1919 under existing rates	1920 estimated under increased rates hereinafter fixed
Consumers, December 31	1,460	1,490
Gas sales, M. cubic feet	42,459	43,000
Barrels of oil used	16,265	17,725
Gallons of oil per M. sold	16.09	16.00
Revenue from gas sales	$65,840 48	$86,750 00
Operating expenses	71,190 43	79,315 00
	*$5,349 95	$7,435 00

*Deficit.

TABLE No. 2.

Operating Expenses.

	1919	1920 estimated
Production expense:		
Oil	$32,475 72	$34,600 00
Other	10,946 40	14,000 00
Transmission expense	2,071 57	2,100 00
Distribution expense	5,107 70	6,600 00
Commercial expense	5,476 18	5,175 00
General expense	5,628 48	6,000 00
Taxes	4,045 38	5,340 00
Depreciation	5,439 00	5,500 00
Totals	$71,190 43	$79,315 00

The above operating costs are based upon a duty of oil of 16 gallons per thousand cubic feet sold during the last eight months of the year. Other expenses have been determined by making due allowance for increased labor charges now in effect.

The valuation of applicant's properties was originally established in Decision No. 6500 as of December 31, 1918, and is brought down to January 1, 1920, as follows:

TABLE No. 3.

	December 31, 1918	Additions to January 1, 1920	January 1, 1920
Landed capital	$1,457 00		$1,457 00
Production capital	41,502 00	$1,520 75	43,022 00
Transmission capital	44,895 00	6,870 04	51,765 00
Distribution capital	78,124 00	7,694 98	85,819 00
General capital	24,756 00	499 10	25,255 00
Materials and supplies	8,984 00		8,984 00
Totals	$199,718 00	$16,584 87	$216,302 00

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Applicant reports the addition of $13,332.01 in betterments from January 1, 1920 to April 30, 1920, which would make a total value of $229,634 as of May 1, 1920. Inasmuch as Riverbend Gas and Water Company has for some time operated its system in an inefficient manner notwithstanding the past counsel of the Commission, rates can not now be established which will yield applicant a full return upon its investment under its inefficient methods of operation. The rates herein established are such as should give applicant a substantial return upon its investment under reasonably efficient operating methods, which it is believed can readily be put in effect by proper action upon the part of the management. The earlier decisions of this Commission have set forth in more detail the deficiencies of applicant's operations, and have laid down the principle that future operating costs should not be based upon such continued inefficiencies.

Service conditions existing in the town of Kingsburg are manifestly poor. The evidence shows that the pressure and supply of gas has been inadequate and service frequently interrupted, requiring consumers to provide other facilities for cooking. Kingsburg is at the extreme end of a long transmission line of such small capacity that the available pressures have been insufficient to deliver the required amount of gas during periods of heavy consumption. The town distribution system is normally operated under high pressure, but under present conditions the pressure in the mains frequently falls much below two pounds per square inch, in which event consumers do not receive proper service. This condition has become so frequent and critical that it is now imperative for definite measures to be taken to relieve the situation. The installation at Kingsburg of a steel compression tank for the storage of sufficient gas to carry over peak loads, and which should be filled from the supply line by means of a small motor driven compressor, would overcome the present troubles in a satisfactory manner at a minimum expense.

I recommend the following form of order:

ORDER.

Riverbend Gas and Water Company having applied to the Railroad Commission for authority to increase its rates and charges for gas, a hearing having been held, and the matter submitted and being now ready for decision:

The Railroad Commission of the State of California hereby finds as a fact that the rates charged for gas by Riverbend Gas and Water Company are not fair and reasonable rates, in so far as they do not adequately compensate it to the extent of earning proper operating expenses and a return upon its investment, and in so far as they differ from the rates and charges hereinafter established.

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Basing its order on the foregoing findings of fact and on the other findings of fact contained in the opinion which precedes this order;

It is hereby ordered, that Riverbend Gas and Water Company be and is hereby authorized to charge and collect the following rates for gas, effective for all regular meter readings taken on and after the twenty-first day of June, 1920, to wit:

Schedule of Rates.

	Gross	Net
First 500 cubic feet or less, per meter per month	$1 35	$1 25
Next 3,500 cubic feet, per M. cubic feet	2 10	2 00
Next 6,000 cubic feet, per M. cubic feet	1 85	1 75
Next 15,000 cubic feet, per M. cubic feet		1 50
Over 25,000 cubic feet, per M. cubic feet		1 30

The net rate shall be effective for all bills paid within ten (10) days after the first of the month following each meter reading date.

Provided, Riverbend Gas and Water Company shall, within ten days of the date of this order, file with the Railroad Commission the schedule of rates herein established.

Provided, further, that the above rates shall not be effective within the town of Kingsburg until Riverbend Gas and Water Company shall have installed at that place adequate gas storage equipment, and until this Commission shall have approved such installation, and shall have, by order, authorized the above rates to be charged in Kingsburg.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this nineteenth day of June, 1920.

DECISION No. 7746.

IN THE MATTER OF THE APPLICATION OF MOUNTAIN POWER COMPANY FOR AN ORDER FIXING RATES.

Application No. 5320.

Decided June 19, 1920.

WATER RATES—MUNICIPAL PURPOSES.—A water utility which, at the instigation of city authorities, installs special facilities so as to provide adequate fire protection, is entitled to a reasonable return upon such expenditures, and the city government can not expect other consumers of the utility to be burdened with the extra expenses incurred in providing a service which was asked for by the municipality.

WATER RATES—SURCHARGES—REIMBURSEMENT OF LOSSES.—The Railroad Commission will not establish a surcharge to reimburse a utility for losses sustained due to unreasonably low rates during pendency of application, as applicant had at all times the right to have previously applied for relief.

Bell, Brookman, Simmons and Creech, by *Douglas Brookman* and *Golden Bell*, for Applicant.

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Hersch and McNulty by *James McNulty*, for Board of Trustees, City of Crescent City.

LOVELAND, *Commissioner*.

OPINION.

Mountain Power Company, applicant herein, is a public utility engaged in the business of supplying water for domestic and commercial uses to the inhabitants of Crescent City, Del Norte County, and for municipal purposes to city of Crescent City.

In the above entitled proceeding, applicant asks for authority to increase its rates and charges for water service, it being alleged that due to increased operating expenses and the elimination of a large number of fire hydrants by the city of Crescent City the revenue derived from the present rates is insufficient to yield maintenance and operating expenditures and a fair return on the investment. In addition to the establishment of higher rates, applicant asks that a surcharge be established to reimburse it for losses incurred due to the unreasonably low rates heretofore in effect.

The Mountain Power Company was organized in 1912 for the purpose of developing hydroelectric power on Smith River and supplying water for domestic, commercial and municipal uses in Crescent City. The company entered the water business at the solicitation of the inhabitants of Crescent City, who desired a more dependable and adequate water supply and better fire protection than rendered by the so-called Childers system, then operating in Crescent City.

The Mountain Power Company acquired possession of the water system in question under authority of this Commission in Decision No. 757, Application No. 277, *In the Matter of the Application of W. L. Childers for an order authorizing him to lease the Crescent City Water Works and give an option therein to purchase to James H. Owen, and by the latter to assign the same to the Mountain Power Company.* (Vol. 2, p. 1091, Opinions and Orders of the Railroad Commission of California.)

It appears that the rates at present in effect were established at the beginning of the company's operation. At present there are 14 metered services and 204 flat rate services, the larger users such as hotels, etc., having metered service.

From the above figures it will be observed that this system is largely unmetered, there being only 14 meters in operation at this time. Attention is directed to the fact that it is impossible to establish a schedule of unmeasured rates whereby the burden of maintaining a plant of this character is equitably distributed among the various consumers in proportion to their use of water. The benefit to be derived from a metered system is not only an equitable distribution of the charges

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but is also a means whereby the water supply can be conserved, good service rendered, and operating expenses reduced.

At the beginning of the company's operations there was a hydrant rental agreement in effect between the municipality and the company, but this arrangement has been a source of much contention and has been changed from time to time. This agreement provided for a payment of $201 per month for 67 hydrants. Later a dispute arose which was compromised by the city agreeing to pay $150 per month for hydrant rental and 20 cents per 1000 gallons for water used for street sprinkling. In October, 1918, the city trustees, by a resolution, eliminated 33 hydrants and proposed to pay $76.16 per month for the remaining 34 hydrants, which is the same rate per hydrant as was previously paid for the 67. The company has refused to accept payment on this basis and has brought suit to recover the amount which it claims is due.

Mr. Owen, president of the water company, testifying in its behalf, stated that the company was urged to install facilities that would insure adequate fire protection. In line with this policy the company installed larger mains than were necessary to deliver an adequate supply to its other consumers. If any consumer (and the municipality in this instance is a consumer) desires special facilities for the delivery of water, such as pipes of sufficient size so that a comparatively large quantity of water can be concentrated at one point at any time, that consumer must expect to pay the cost of rendering the service. It would be unfair to the other consumers of the company to burden them with the expenditure made for service such as is asked for by the municipality. I am of the opinion that the rate which was originally in effect, namely, $200 per month for 67 hydrants, is fair, and that at least this sum should be produced each month for the municipal service rendered and the expense incurred because of the installation of fire fighting facilities.

In regard to applicant's request that a surcharge be established to reimburse it for losses sustained due to unreasonably low rates during the pendency of this application: Although there may be instances where such a procedure is warranted, we do not find that this is such a case, inasmuch as applicant has at all times had recourse to this Commission and could have at any previous time applied for relief and asked for authority to increase its rates.

A valuation of the property was submitted by Mr. Owen, president of the company, based upon present prices of labor and materials, of $64,833, in which was included a sum of $3,000 as promotion and organization expense. This $3,000 is arbitrarily apportioned by Mr. Owen as a proper amount to be charged against the water system, it being one-third of the actual amount expended for these items for both the power and water companies.

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Mr. Owen also submitted a statement of the actual cost of the system as shown by the books, amounting to $37,857.71. This sum included $1,270 expended in the rental of the Childers system. However, it was provided in the Commission's Decision No. 277, previously referred to, that "none of the moneys paid by the Mountain Power Company for the acquisition or lease of the property shall be added to the plant or capital account of the said Mountain Power Company." There is also included $3,000 charged to organization, etc., $500 paid for water rights, and $600 paid for a city block, which are at present nonoperative. Deducting these items, which are not properly chargeable against present consumers, to find the cost of physical properties used and useful shows an expenditure of $32,487.21.

An estimate of the investment in operative property was submitted by Wm. Stava, one of the Commission's hydraulic engineers, based upon the prices of labor and materials existing during the period of installation of the various structures. The estimated cost new on this basis was found to be $32,594, and said cost, less depreciation, $25,496. No intangibles were included in this estimate. Mr. Stava also submitted an estimate of the present cost of reproducing this property. This estimate totaled $61,192 as the cost new and $44,058 as the cost new less depreciation. It appears that $500 is a sufficient allowance for organization expense for a company of this size. The replacement fund was computed on a 6 per cent sinking fund basis and amounts to $311.

After carefully considering all of the evidence, I am of the opinion that the sum of $33,094 is a fair sum upon which to compute applicant's interest return.

The maintenance and operating cost as shown by the books of the company was carefully investigated for the years 1918 and 1919 and all items were found to be properly charged. The Commission's engineer, however, testified that these expenditures were unusually high as compared to similar systems similarly operated, and it was suggested that Mr. Owen's salary might be eliminated or reduced until the number of consumers increased or the business seemed to warrant this expenditure.

The following estimates of annual charges are considered properly chargeable against the consumers. The estimate for maintenance and operation includes an increase in the pumper's salary and for fuel expenditure, and Mr. Owen's salary is eliminated:

Interest $33,094 at 8 per cent	$2,647 00
Maintenance and operating expense	4,008 00
Annuity 6 per cent sinking fund basis	311 00
Total annual charges	$6,966 00

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The schedule of rates established in the following order is designed to produce the annual charges estimated above. It will also be noted that the fire hydrant rental is increased. Inasmuch as all consumers derive a material benefit from the maintenance of fire hydrant service, it seems fair and reasonable that they should bear a fair proportion of the cost of such service.

ORDER.

Mountain Power Company having made application to the Railroad Commission as entitled above, a public hearing having been held, and the Commission being fully apprised in the premises:

It is hereby found as a fact that the present rate schedule of the Mountain Power Company, in so far as it differs from the rate schedule herein established, is unjust and unreasonable, and the schedule herein established is just and reasonable. And basing its order on the foregoing finding of fact and upon the further statements of fact contained in the opinion which precedes this order;

It is hereby ordered, that the Mountain Power Company be and it is hereby authorized to file with the Railroad Commission within twenty (20) days from the date of this order, the following rates for water, said schedule to be and become effective for all bills and meter readings subsequent to the date of this order:

FLAT RATES.

For dwellings or tenements and private buildings, not including water for water closets, urinals or for use outside of the building:

	Per month
Dwellings occupied by a single family	$1 35
Dwellings occupied by two or more families using same rooms, each family	1 10
For families living in stores, flats or apartments, same rates as above.	
For each roomer or boarder in private family	20
For boarding or lodging houses not exceeding ten rooms	2 50
For each additional room	20
For restaurants and eating houses, each	2 10
For each additional private bathtub per month	25
For private water closets or urinals, each	25
For public bathtubs or water closets, each	50
For public urinals, each	1 00
For horse kept in private stable including water for washing one vehicle whether supplied from house service or otherwise	30
For each additional horse so kept	20
For horses kept in private stables leased or used separately from dwellings:	
For the first three horses or less	1 00
For each additional horse so kept	25
Private garage, one automobile	25
Additional automobiles, each	25

Rates specified for private and public bathtubs, water closets and urinals and houses, apply only when water is supplied for other purposes. For hotels, livery stables, garages, laundries, public buildings, schools, bottling works, manufacturing establishments, irrigating, or where large quantities of water are used monthly, rates by special agreement, or by meter measurement.

For barber shops	1 60
For drug stores	1 35
For bakeries	1 35

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	Per month
For warehouses	$1 35
For photograph galleries	1 35
For blacksmith shops	1 35
For wagon shops	1 35
For butcher shops	1 35
For printing offices	1 35
For stores	1 30
For saloons	1 60
For dentists' offices	1 10
For doctors' offices	1 10
For office rooms, each	60

For irrigating lawns, household gardens and grounds by the use of hose for sprinkling when water is supplied for other purposes, per square yard, one-third cent.

A minimum charge will be made for all irrigating and sprinkling of fifty cents per month.

Where outside faucets or bibbs are maintained, they will be charged for same as if used for irrigating.

For lodge rooms	1 10
For bowling alleys	60
For skating rinks	60
For shooting galleries	60
For dance and amusement halls	60
For soda fountains, each	1 10
Hotels and boarding houses at meter rates.	
Building purposes:	
For each barrel of lime or cement used in cement, concrete, stone or brick work	15
For water used to dampen brick, for each 1000 bricks	15
Private fire hydrants or standpipes to be used for fire purposes only:	
For 2-inch connection	1 75
For 1½-inch connection	1 25
For 1-inch connection	1 00
For ¾-inch connection	75
Municipal service:	
Minimum monthly payment $200. This includes service of water through not more than 67 hydrants for sprinkling, fire service, etc.	
For each additional hydrant	2 00

METER RATES.

For water used by meter measurement the following monthly rates shall be charged:

Forty cents per one thousand gallons for the first 10,000 gallons used in any one month;

Thirty cents per one thousand gallons for each additional one thousand gallons up to 20,000 gallons; and

Twenty-five cents per one thousand gallons for each additional one thousand gallons up to 50,000 gallons;

Exceeding 50,000 gallons in any one month; special rates by agreement, subject to consent of the Railroad Commission.

The minimum charge for water supplied by meter shall be:

¾-inch meter per month	$1 25
¾-inch meter per month	1 75
1-inch meter per month	2 50

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this nineteenth day of June, 1920.

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DECISION NO. 7748.

IN THE MATTER OF THE APPLICATION OF THE SANTA MARIA GAS COMPANY, A CORPORATION, FOR AN ORDER AUTHORIZING THE ABANDONMENT OF CERTAIN GAS SERVICE.

Application No. 5675.

Decided June 19, 1920.

GAS SERVICE—ABANDONMENT OF—RATE OF RETURN.—When the return which a gas utility would receive under reasonable rates from a few consumers in sparsely settled territory would be so far below the cost of service as to impose an unjust burden upon other consumers of the utility, the discontinuance of such service will be permitted upon thirty days notice; provided, the utility shall reimburse such consumers for the reasonable value of gas appliances which they own.

Chickering and Gregory, by *Evan Williams*, for Applicant.

Chas. P. Kactzel, for City of San Luis Obispo.

Albert Nelson, for certain Consumers and Protestants.

A. E. Campbell, for certain Consumers.

BRUNDIGE, *Commissioner*.

OPINION.

This is an application by Santa Maria Gas Company, a corporation organized to purchase and acquire the gas properties of the Midland Counties Public Service Corporation and the Santa Maria Gas and Power Company, seeking authority to abandon gas service on a certain portion of the eight-inch natural gas transmission line to be purchased from the Midland Counties Public Service Corporation. It is proposed to remove that portion of said line between Betteravia Junction, Santa Barbara County, and the Avila refinery of the Union Oil Company in San Luis Obispo County. A public hearing was held in San Luis Obispo on May 28, 1920, and the matter thereupon submitted.

The eight-inch natural gas line of the Midland Counties Public Service Corporation runs in a northwesterly direction from the Santa Maria oil fields to a point about a mile east of the railroad station in the town of Oceano, thence westerly and northerly to the town of El Pizmo, where it furnishes the gas supply for local use. In passing Oceano a branch line is taken off to provide gas to the Halcyon Sanatorium, east of that town, and also other connections are made to serve the residence of T. O. Thompson and the residences of Soulier and Schafer. South of Oceano, the ranch house of Wm. H. Brintnall is served by this line. Between El Pizmo and a point on the State Highway, in the vicinity of the site of the old Graciosa Oil Refinery known as Oil Port, there are eleven consumers receiving gas service directly from this line. These consumers are located in a very sparsely settled farming district along the highway and are quite uniformly separated over a distance of four miles.

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In the event of the removal of the Midland Counties gas line, arrangements have been made for supplying gas to the towns of Pizmo and Avila, now served by this line, from connecting lines to be laid from the Union Oil Company's six-inch gas line which runs through these towns. Ultimately it would be the intention of Santa Maria Gas Company to lay a line to Pizmo from its gas transmission line, which supplies San Luis Obispo.

Just east of the town of Oceano is a settlement known as Halcyon, now supplied from the Midland Counties line. To supply the Halcyon Sanatorium the lines of the Santa Maria Gas and Power Company would require laying 8720 feet of pipe along county roads. This sanatorium, established by Dr. W. H. Dower, is conducted in connection with a religious organization known as The Temple of the People. Members of this organization from various parts of the country frequently visit here for medical treatment. Gas is used in the building for domestic purposes for heating and cooking. It has been urged by a number of parties interested in the success of this institution that the discontinuance of gas service would inflict a serious hardship upon the welfare of the organization. At the hearing in the proceeding, a plan was submitted for the laying of a branch pipe from the line of the Santa Maria Gas and Power Company to Oceano and thence to Pizmo. This contemplated the crossing of private property and following straight courses in order that a minimum amount of pipe be required, the total distance being 26,840 feet. Inspection of the territory by the Commission's engineer was made, and it was found that in the event of laying such a line it should be placed along public roads in order to provide a proper location and to provide for possible future additional consumers. The distance in this case would be 28,360 feet or 1520 feet more than by the first route. It was the purpose of the suggested plan of laying the line that service could be continued to the sanatorium and adjacent consumers, and also rendered to residents of Oceano, in addition to supplying the town of Pizmo. Surveys made by the Santa Maria Gas Company along a route direct from its meter station in Arroyo Grande to Pizmo for supplying the latter show that only 21,000 feet of pipe would be required, or a saving of 7360 feet compared with the above route along public roads for serving Pizmo via Oceano. A petition was presented in this matter bearing fifty-five signatures, protesting against the abandonment of the gas line, and requesting service to residents of Halcyon and Oceano, and indicating a willingness upon the part of the petitioners to advance the sum of $1,675 in prepayment of gas.

Further investigation shows that, in order to serve these petitioners, it would be necessary to lay, in addition to the above mentioned main

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lines, more than 19,000 feet of distributing mains. The total cost of a system to serve Oceano and Halcyon and deliver gas to Pizmo, as proposed by the engineer representing the first two communities, would be approximately $15,700 more than that required to install a direct connection from the present Santa Maria gas line at Arroyo Grande to Pizmo.

The revenue to be derived from these consumers would probably amount to a gross figure of less than $1,300 per annum, with actual operating cost of about $1,125, leaving a net return of $175, far from sufficient to pay any appreciable return.

That portion of the Midland Counties Public Service Corporation's eight-inch line, for which permission is being asked to abandon, is providing service to a total of fifteen consumers. During the year 1919 these patrons used 435,300 cubic feet of gas for which they paid $225.70, and during the first four months of 1920 they used 292,500 cubic feet at a cost of $146.84, at the rate of 50 cents per thousand cubic feet. The length of line which it is proposed to remove is 120,000 feet, or nearly twenty-three miles. The salvage value of this pipe is $108,000 and may be considered as a minimum basis of investment when determining the cost of service. The sales to consumers along this line, based upon the experience of the first four months of 1920, indicate a total for the year of 877,500 cubic feet. Operating expenses, including an allowance for depreciation and return upon the investment, would amount to $16,040.

If this amount were to be paid in rates by consumers along the line, the average rate would be $18.30 per thousand cubic feet. On the other hand, if a rate of $1.50 per thousand feet were established, there would remain a deficit of $14,725 to be absorbed by the remainder of the Santa Maria Gas Company's consumers. It is, therefore, apparent that the continued operation of this eight-inch line, which has no useful purpose except to supply these fifteen consumers, can not, in itself, provide any return upon the investment, and, if maintained, would place an unfair burden upon the balance of the system, to whose service it is entirely unnecessary. If maintained in service, this line constitutes a duplication of facilities not required by the consolidated company.

The serving of domestic consumers from a high pressure gas transmission line has never been recognized as good practice, and such service was assumed in this case largely to obtain right of way grants. Inasmuch as the consumers receiving gas service from this line are located in an extremely sparsely settled farming community, which does not enjoy other benefits which can be expected only in more

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closely populated localities, and because the continuance of operation of this line would either require the charging of exorbitant rates, or put an unjust burden upon other consumers of the company, it is believed this incidental domestic gas service is unwarranted.

The fifteen consumers now receiving gas from this eight-inch line have incurred considerable expense in installing piping and gas appliances. As the discontinuance of gas service to them would render all their gas equipment valueless, they should, therefore, be reimbursed to the extent of the reasonable value of their gas equipment upon the discontinuance of this service.

I submit the following form of order:

ORDER.

Santa Maria Gas Company having applied to the Railroad Commission for authority to abandon and discontinue service upon a certain eight-inch natural gas transmission line between Betteravia Junction and Avila, a hearing having been held, and the matter submitted and being now ready for decision, the Railroad Commission of the State of California hereby finds as a fact that the continuance of operation of this natural gas line would place upon Santa Maria Gas Company an unjust and unfair burden, and, further, that the maintenance of this line is not required in the proper operation of applicant's system for providing gas service to its consumers other than the fifteen supplied from the portion of this line between Betteravia Junction and Avila above referred to.

Based upon the foregoing findings of fact, and other findings of fact contained in the opinion which precedes this order;

It is hereby ordered, that Santa Maria Gas Company be and it is hereby authorized to abandon gas service to the fifteen consumers hereinbefore referred to, along the aforementioned natural gas line between Betteravia Junction and Oil Port, upon the acquisition by Santa Maria Gas Company of the gas properties of Midland Counties Public Service Corporation and Santa Maria Gas and Power Company;

Provided, Santa Maria Gas Company shall serve notices of discontinuance of service at least thirty days prior to abandonment of gas service to such consumers as are thereby affected; and, further,

Provided, Santa Maria Gas Company shall reimburse all such consumers, whose service is discontinued, to the extent of the reasonable value of their gas appliances and fixtures; and further,

Provided, Santa Maria Gas Company shall, by appropriate method, reinvest in the original owners or their successors in interest, all of its titles, rights and interests in the rights of way and easements now occupied by the natural gas line to be abandoned.

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The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this nineteenth day of June, 1920.

DECISION No. 7749.

ELON DUNLOP

vs.

THE DIAMOND RIDGE WATER COMPANY.

Case No. 1268.

DIAMOND RIDGE WATER USERS' ASSOCIATION

vs.

DIAMOND RIDGE WATER COMPANY.

Case No. 1364.

J. A. RILEY

vs.

DIAMOND RIDGE WATER COMPANY.

Case No. 1400.

FRANK X. WALSH

vs.

DIAMOND RIDGE WATER COMPANY.

Case No. 1401.

Decided June 19, 1920.

In connection with complaints against the service of an irrigation company which is operating at a loss, the Commission recommends that all consumers and prospective consumers get together and enter into a contract with the irrigation company which will guarantee it a reasonable operating revenue, whereupon the Commission will direct that improvements be immediately made to the system which will insure a reasonable and adequate service.

Elon Dunlop, in propria persona.

B. D. Marx Greene and *E. J. Sinclair*, for Diamond Ridge Water Users Association.

Frank F. Atkinson, for J. A. Riley, Frank X. Walsh and The Farmers' Protective Association.

John W. Dorsey and *W. E. Cashman*, for Defendant Diamond Ridge Water Company.

LOVELAND, *Commissioner.*

OPINION.

The above mentioned proceedings are primarily directed against the water service rendered by the Diamond Ridge Water Company for irrigation and domestic use. By stipulation, the four proceedings entitled as above were combined for hearing and decision.

The Diamond Ridge Water Company owns and operates a water system comprising about 35 miles of ditch and flume in a district

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known as "Diamond Ridge," which lies between the North Fork of Cosumnes River and Webber Creek in central El Dorado County. This system, like most of the ditch systems in the Sierra foothills, was built many years ago to supply water to mines. This class of service has now been entirely discontinued and a small irrigation and domestic use has been developed.

With the exception of two small reservoirs with a total capacity of approximately thirty acre feet, this company has no means of storing water whatsoever and is dependent for its supply entirely upon the stream flow in Camp Creek and the North Fork of the Cosumnes River.

In dry years, such as 1918 and 1919, the flow in these streams is insufficient to furnish a full supply to the company's consumers and at times diminishes to such an extent that service is cut off altogether.

The complaints in these cases allege in effect that for a number of years the company has not properly maintained and operated its ditches and that the result has been a great loss of crops and inconvenience to its consumers; that due to the irregularity of the supply, consumers can not safely increase their present acreage, and that prospective consumers are discouraged from purchasing land and placing same under irrigation; that the company has made no attempt to develop a continuous supply by means of storage; that the employees of the company have been discriminatory and unfair in their dealings with consumers and have not properly attended to their duties; that the charges of the company in a number of cases are deviations from the schedules of the company as filed with this Commission; that the ditches and flumes of the company have not been properly cared for, resulting in a great loss of water and, finally, that the company has no established rules and regulations governing service to its consumers.

Public hearings were held in these matters at Placerville on January 21 and 22, February 3 and 4 and March 17, and at San Francisco on March 25, 26 and 27, 1920.

At these hearings evidence was introduced relative to the condition of the company's ditches, dams, flumes and reservoirs, also regarding the relationship between the company's employees and its consumers. The condition of the company's system during the years of 1918 and 1919 was gone into in great detail. The complainants submitted evidence to show that during these two dry years the company's flumes and ditches were in poor repair, resulting in a serious waste of water and the curtailment of supply to its consumers.

The distance which this company is compelled to carry water is great as compared with the small acreage which it supplies, and the result is an unusual loss in transit due to evaporation, seepage, leakage, etc. However, I am convinced that with reasonable effort a considerable saving can be made by certain improvements, such as lining or boxing of

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ditches at points where leakage is serious due to the geologic formation through which it passes, the lining of its flumes by some approved method, widening certain stretches of ditch so that the entire ditch will for all practical purposes be of approximately the same cross-section.

It developed that the two small reservoirs, located at the lower end of the company's system near Diamond, are in a state of disrepair. The gates are dilapidated and the waste gates have been undermined and washed out, rendering them useless. It was shown that proper repairs could be made of the outlet gates and waste gates to these two reservoirs at a small cost, thus enabling the company to raise the water levels and to store an amount of water, which though not great, would be of considerable value in times of shortage. These repairs should be made at once.

This Commission in its Decision No. 1310, in the proceeding entitled *Elon Dunlop* vs. *Diamond Ridge Ditch Company*, Case No. 528, decided February 28, 1914, volume 4 of Opinions and Orders of the California Railroad Commission, page 317, directed defendant herein to submit plans for improving and repairing its system. In that proceeding defendant declared that it was the purpose of the company to construct a wholly new impounding and irrigation system, to supersede the then existing system. This reconstruction has never taken place. Subsequent to Decision No. 1310, *supra*, certain improvements were installed by the company, and it appears from the evidence that the system is now in better condition than at that time. However, certain additional improvements and repairs are necessary in order to properly conserve the available water supply.

Attention is directed to the fact that the income heretofore received by defendant is insufficient even to meet operating expenses, and the tendency is for a company operating with so large an annual deficit to render inadequate service and to neglect necessary repairs.

There is now pending before this Commission an application filed by defendant herein, asking authority to increase its rates. The area served, however, is so small that it will undoubtedly be practically impossible to establish a rate which will yield to defendant herein revenue sufficient to meet its expenses and an interest return. Defendant has, however, dedicated its system to a public use, and in reliance upon this dedication its consumers have proceeded to develop their ranches. The evidence shows that no real effort has been made to increase the business from its present system, and I am of the opinion that the poor service rendered has had a very material effect in reducing its business.

Defendant herein purchased this property as a speculation, intending to finance the purchase of a large tract of land, to be later subdivided and sold at a large profit through the use of the water rights purchased

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with this system and the construction of impounding facilities. Defendant admitted that it was holding this for a speculation and that its speculative value was considerable. This, however, is no just reason why present consumers should be permitted to suffer for lack of water, and indeed, a farsighted policy would be to render adequate service to these consumers, thereby securing their aid in the larger scheme and inducing others to settle, thus promoting the development which defendant is and has been attempting to finance. Present consumers should, however, be required to pay equitable rates and produce for the utility a sum equal to what the service is reasonably worth.

Complainants herein submitted a questionnaire to a large number of landowners, including defendant's present consumers, and submitted this questionnaire at the hearing herein, in an attempt to show that if reasonable diligence is used on the part of defendant to deliver an adequate quantity of water, business is readily available and the system can be developed.

It appears to me that if those signing the questionnaires will actually contract with the defendant so that it will be assured of a reasonable income because of its additional expenditures, defendant can afford to construct more or less extensive improvements to its system and provide for an additional water supply. I recommend that a definite agreement be drawn to accomplish this end.

This Commission will gladly use its good offices in furtherance of such a development, which will work for the welfare of the community and the water company. The order herein will provide that an additional water supply be obtained, conditioned upon some such agreement being consummated; and at such time as a sufficient area contracts to use water to provide an adequate income to defendant herein to enable it to construct these additional facilities, a supplemental order will be issued directing defendant to proceed immediately with this construction.

I further suggest that complainants prepare and sign such contract and submit the same to this Commission, which can then take up the matter with defendant and give consideration to the matter of either arriving at an agreement regarding the additional construction work to be carried on, or issue further order requiring defendant to proceed.

There is in this vicinity a possibility of all getting together and working out a constructive program which will materially benefit all concerned and be one step towards the development of the entire project which defendant has been trying to put through for a number of years.

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Mr. R. W. Hawley, a consulting engineer and a witness in behalf of complainants, submitted a report at the hearing, which purported to show that it is feasible and economical for defendant herein to construct a dam, and so increase its present available water supply that some 3500 additional acres could be irrigated, and that the additional expenditure would be justified by the revenue which defendant could reasonably expect to receive from its consumers.

Mr. N. B. Ellery, engineer for defendant, maintained that Mr. Hawley had greatly underestimated the cost of the proposed development, and furthermore, that the project as planned would not be feasible.

After carefully considering all of the evidence, I am of the opinion that it is feasible to work out some plan whereby water can be impounded and delivered to the locality in question, provided the area is not so scattered that the transportation and delivery cost is prohibitive; and further provided that those desiring to receive water give some adequate assurance to the company, in the form of a contract or otherwise as outlined above, that water will be used in sufficient quantities to justify the expenditure.

The evidence shows that the rules and regulations under which defendant operates are very vague, and that many controversies arise because of this. Furthermore, there has been no adequate supervision of the operation and repair of this system. The haphazard manner of operation which has been permitted to exist in the past can not continue if defendant hopes ever to make this project a financial success. The man in charge is, in addition to his position as superintendent of the system, a jeweler in the city of Placerville, and gives a very large proportion of his time to that business. Furthermore, numerous disputes have arisen between the management and the consumers, which have continued to such an extent that extreme personal enmity exists, and I am of the opinion that such enmity will continue to exist against defendant until the operating force is changed and new men placed in charge of the system. Consumers of an irrigation company must exercise forbearance toward the management, especially in times of water shortage, and the management must deal with consumers in an impersonal manner, and eliminate rather than aggravate their grievances.

I suggest to defendant that a competent man be employed to have direct charge of the operations of this system. The man so employed should preferably come from another locality, and can replace not only the present superintendent but also one of the present ditch tenders. Thus the cost of operation would be very little increased, if at all.

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It appears that during the summer of 1919 the company's domestic consumers in the town of Diamond were compelled to pay a flat rate of $2 per month, instead of $1 per month as theretofore. This increase was unauthorized, and the excess amounts so collected should be returned to the consumers.

I recommend the following form of order:

ORDER.

Public hearings having been held in the above entitled proceedings, and such proceedings having been regularly submitted and being now ready for decision, the Railroad Commission of the State of California hereby makes the following findings of fact:

(1) Certain portions of the irrigation system owned and operated by the Diamond Ridge Water Company are in such condition owing to lack of repair that it is impossible to economically convey water through the system for the needs of said company's consumers.

(2) The conditions under which said Diamond Ridge Water Company operates its system and the manner in which it deals with its consumers are unsatisfactory.

Basing its order on the foregoing findings of fact and on the statements of fact contained in the proceedings;

It is hereby ordered, as follows:

1. That the Diamond Ridge Water Company is hereby ordered to submit to this Commission for its approval, within fifteen (15) days from the date hereof, a plan for the repair of said water system, to include a plan for the lining of flumes where necessary, the widening of certain portion of ditch, the repair of certain of its flumes and reservoirs, and such other repairs and construction as are needful.

2. The Diamond Ridge Water Company shall, within fifteen (15) days from the date of this order, file with this Commission a draft of the proposed rules and regulations covering service of water through its system. These rules and regulations shall be put in effect as amended and approved by the Commission, and the form of any contract entered into between defendant herein and its consumers shall be submitted to this Commission for its approval prior to the execution of said contract.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this nineteenth day of June, 1920.

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DECISION No. 7752.

IN THE MATTER OF THE APPLICATION OF CALEXICO COMPRESS COMPANY, A CORPORATION, FOR RATIFICATION OF THE ISSUANCE OF CERTIFICATES REPRESENTING ITS CAPITAL STOCK AND AUTHORITY TO REISSUE THE SAME.

Application No. 5669.

Decided June 19, 1920.

J. S. Larcy, for Applicant.

BRUNDIGE, *Commissioner*.

OPINION.

Calexico Compress Company asks permission to issue $60,000 par value of common stock in lieu of a like amount of stock heretofore sold without an order from the Railroad Commission.

The record shows that applicant, among other things, is engaged in yarding and handling cotton at Calexico, Imperial County. It reports assets and liabilities as follows:

Assets.

Plant	$79,502 14
Equipment	5,727 00
Cash	11,307 93
Total assets	$96,537 07

Liabilities.

Bills payable	$9,000 00
Capital stock	60,000 00
Profit and loss	27,537 07
Total liabilities	$96,537 07

Applicant reports that its plant consists of about 17 acres of land, approximately 4000 feet of sidetracks, boiler rooms and boilers, compress machine, sheds, platforms for trucking and loading, a private water works system installed for the purpose of securing lower insurance rates, office building and equipment.

That applicant's business has been increasing is evidenced by the fact that during the year ending June 30, 1919, it received 74,057 bales of cotton as compared with 25,737 bales for the year ending June 30, 1915. The testimony shows that applicant sold its stock at par, and that not only have all of the proceeds been invested in applicant's business but surplus earnings as well. The testimony further shows that applicant's officers were not advised of the provisions of the Public Utilities Act at the time the stock was sold and that they issued the stock with no intention of evading the provisions of the act. Inasmuch as the Public Utilities Act declares stock of public utilities issued without permission from the Railroad Commission null and void, this Commission can not ratify the issue of such stock, but it has the power

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to authorize, subject to such conditions as may be proper, issue of stock in lieu of that sold without permission.

I herewith submit the following form of order:

ORDER.

Calexico Compress Company having applied to the Railroad Commission for permission to issue $60,000 of stock, a public hearing having been held, and the Commission being of the opinion that the money, property or labor to be procured or paid for through such issue is reasonably required by applicant, and that the expenditures for such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income;

It is hereby ordered, that Calexico Compress Company be and it is hereby authorized to issue, on or before December 31, 1920, $60,000 par value of its common capital stock in lieu of a like amount of stock heretofore sold at par without an order from the Railroad Commission;

Provided, that none of the stock herein authorized shall be issued until the outstanding stock certificates have been returned to applicant and cancelled; and

Provided, further, that applicant file with the Commission, on or before the twenty-fifth day of each month, until all of the stock has been issued, a statement showing the amount of stock issued during the preceding month, together with the names of the persons to whom such stock was issued and the amount of stock issued to each individual.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this nineteenth day of June, 1920.

DECISION No. 7753.

IN THE MATTER OF THE APPLICATION OF CENTRAL COUNTIES GAS COMPANY FOR AN ORDER TO INCREASE ITS RATES.

Application No. 5553.
Decided June 19, 1920.

F. W. Hunter, for Applicant.

BRUNDIGE, *Commissioner*.

OPINION.

This is an application of Central Counties Gas Company for authority to increase its rates and charges for gas. Applicant alleges that it operated with a deficit during the year 1919, and that since that time it has been obliged to increase wages to its employees by approximately 20 per cent, and also to meet an increase in the price of oil of 25 cents per barrel. Applicant seeks such rates and charges for gas as shall provide for increased operating costs now experienced.

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A public hearing was held in Visalia on May 18, 1920 and the matter thereupon submitted.

Applicant is engaged in supplying artificial gas to the towns of Visalia, Tulare, Lindsay, Exeter, Strathmore and Porterville through a system of high pressure transmission lines from a central gas generating plant located at Visalia. During the year 1919 the company sold 81,843,000 cubic feet, from which it derived a revenue of $132,623.05, or an average price of $1.62 per thousand. Its direct operating expenses totaled $124,920.74, or a cost of $1.525 per thousand sold, with no allowance for depreciation.

The present rates were established by Decision No. 6014, dated December 26, 1918, and are as follows:

First 3,000 cubic feet per meter per month	$1 70 net per 1000 cubic feet
Next 5,000 cubic feet per meter per month	1 55 net per 1000 cubic feet
Next 7,000 cubic feet per meter per month	1 30 net per 1000 cubic feet
Next 10,000 cubic feet per meter per month	1 20 net per 1000 cubic feet
All over 25,000 cubic feet per meter per month	1 10 net per 1000 cubic feet

During the year 1919 poor pressures and interruptions to service existed in several of the towns more distant from the gas plant. This Commission had previously recommended the installation of additional storage facilities to meet these conditions, which have now been completed, applicant having erected a 120,000 cubic foot holder and boosting equipment in Porterville and has also repaired and replaced portions of its transmission and distribution lines, thereby improving pressure conditions and reducing gas leakage.

Oil has been purchased during the past year at $1.325 per barrel f. o. b. Coalinga, whereas the present price in the field is $1.70, to which must be added $0.387 for freight and tax, making total price f. o. b. the plant $2.087 per barrel. Increases in pay roll in effect April 1, 1920 amounted to $950, or 20.6 per cent more than that as of January 31, 1920. To meet these additional costs applicant estimates an increase in its charges of 12½ per cent will be required, without making provision for return upon its investment.

The following summary sets forth comparative operating statistics for 1919 with an estimate for 1920 based on rates hereinafter established:

Operating Statistics.

	Actual 1919	Estimated 1920
Consumers, December 31	2,963	3,250
Gas sales, M. cubic feet	81,843	93,000
Barrels of oil used	35,506	35,000
Revenue from gas sales	$132,623 05	$168,950 00
Operating expenses	124,920 74	150,635 00
Net for return	$7,702 31	$18,313 00

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Operating expenses for 1920 are based on costs experienced during the year 1919 with due allowance for increased labor and oil charges, as shown in the following table:

Operating Expenses.

	1919	Estimated 1920
Production:		
Oil	$61,099 33	$68,785 00
Other	23,035 75	24,400 00
Transmission	3,524 59	4,500 00
Distribution	8,040 63	10,350 00
Commercial	5,178 26	5,600 00
General	16,703 33	17,000 00
Taxes	7,338 91	10,350 00
Depreciation		9,650 00
Totals	$124,920 74	$150,635 00

The oil usage for 1920 has been reduced 500 barrels. Investigation of applicant's plant indicates that greater economies and efficiencies can be effected than are now realized. The reduction of amount of oil used in gas generators by the repair and improvement of these machines, and the taking on of additional consumers along its lines, offer the greatest possibilities to applicant in reducing its unit costs. During the year 1919 the average duty of oil was 18.25 gallons per thousand cubic feet of gas sold, which is excessive even for a system such as applicant's, as has been pointed out in former decisions of this Commission. Calculations herein have been based upon a better duty of oil, which is warranted by actual results during the first three months of this year.

A general investigation of applicant's plant and of an inventory as of August 3, 1918, sets forth the historical cost of the property, amounting to $362,544. The company's annual reports, together with a special report of additions and betterments to date of April 1, 1920, indicate the amount of fixed capital as follows:

Fixed capital installed prior to January 1, 1913	$172,923 50
Fixed capital installed January 1, 1913, to January 1, 1919	197,260 53
Fixed capital installed January 1, 1919, to January 1, 1920	29,585 72
Fixed capital installed January 1, 1920, to April 1, 1920	7,626 30
Total fixed capital as of April 1, 1920	$407,396 05

With the addition of allowances for working cash capital and materials and supplies, this figure would be raised considerably above applicant's claimed valuation of $400,000, and from our present investigation it is believed that $400,000 is a reasonable base to assume for rate-fixing purposes in this proceeding.

Central Counties Gas Company has not in the past demonstrated the ability to earn a full return upon its invested capital, and, in view

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of the high costs of its operations, it is believed that rates sufficient to permit a full return would lead to an actual decrease in gas sales. The rates herein authorized will enable applicant to absorb its increased costs, and will raise its revenues to $1.923 per thousand cubic feet.

I submit the following form of order:

ORDER.

Central Counties Gas Company having applied to the Railroad Commission for authority to increase its rates for gas, a hearing having been held, and the matter submitted and being now ready for decision:

The Railroad Commission of the State of California hereby finds as a fact that the present rates and charges for gas of Central Counties Gas Company are not fair and reasonable rates in so far as they do not adequately compensate it to the extent of earning proper operating expenses and a return upon its properties, and in so far as they differ from the rates and charges hereinafter established.

Basing its order on the foregoing findings of fact and on the other findings of fact contained in the opinion which precedes this order;

It is hereby ordered, that Central Counties Gas Company be and it is hereby authorized to charge and collect the following rates for gas, effective for all regular meter readings taken on and after the twenty-first day of June, 1920, to wit:

SCHEDULE "A."

General Service.

	Gross	Net
First 500 cubic feet or less, per meter per month	$1 35	$1 25
Next 2,500 cubic feet, per M. cubic feet	2 10	2 00
Next 5,000 cubic feet, per M. cubic feet		1 80
Next 7,000 cubic feet, per M. cubic feet		1 60
Next 10,000 cubic feet, per M. cubic feet		1 40
All over 25,000 cubic feet, per M. cubic feet		1 30

The net rate is effective on all bills paid on or before ten (10) days after date of presentation.

SCHEDULE "B."

Hotel and Restaurant Service.

First 25,000 cubic feet, per meter per month.....$1.40 per M. cubic feet
All over 25,000 cubic feet, per meter per month..... 1.20 per M. cubic feet
Minimum bill per meter per month, $30.00.

Provided, Central Counties Gas Company shall file with the Railroad Commission within ten days of the date of this order the schedule of rates herein established.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this nineteenth day of June, 1920.

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Decision No. 7754.

IN THE MATTER OF THE APPLICATION OF CORONA HOME TELEPHONE AND TELEGRAPH COMPANY, A CORPORATION, TO ISSUE BONDS.

Application No. 5755.

Decided June 19, 1920.

W. S. Clayson, for Applicant.

BRUNDIGE, *Commissioner*.

OPINION.

Corona Home Telephone and Telegraph Company asks permission to issue and sell $8,900 of its first mortgage 5 per cent bonds payable November 1, 1938.

Applicant submits a balance sheet as of December 31, 1919, showing the following:

Asset Accounts.

Net investment in fixed capital		$75,008 85
Fixed capital	$84,922 80	
Reserve for accrued depreciation	9,913 95	
Special deposits		88 83
Liberty bonds		10,365 00
Accounts receivable		786 02
Corporate deficit		619 28
Total asset accounts		$86,867 98

Liability Accounts.

Capital stock	$42,417 50
Funded debt	41,203 00
Matured interest	133 85
Other liabilities	343 36
Materials and supplies (credit balance)	175 34
Surplus invested in fixed capital, since 1913	648 82
Other surplus reserves	1,946 11
Total liability accounts	$86,867 98

In Decision No. 7411, dated April 9, 1920, the Commission found that $55,000 represented a fair value of applicant's properties for rate making purposes.

Applicant reports that it is necessary for it in order to give satisfactory service to expend about $10,000 for the following additions and betterments:

Brick addition to applicant's central office (approximately 19½ by 26 feet in size) estimated cost	$2,000 00
Switchboard 63 position, multiple feature board, 300 lines)	7,000 00
New cables	1,000 00
Total	$10,000 00

In addition to these improvements, applicant reports that it has expended out of earnings, for additions and betterments, the sum of

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$1,295.44. It asks permission to reimburse its treasury because of the expenditure of $1,295.44. In my opinion, the reimbursement should at this time be allowed only on condition that any moneys obtained through the sale of bonds authorized to be issued for the purpose of reimbursing applicant's treasury will be reinvested in its plant and not distributed in the form of dividends. The issue of bonds by applicant at this time, unless it can dispose of such bonds at favorable prices, should be kept at a minimum, and this can only be accomplished by investing all the proceeds obtained from the sale of bonds in additions and betterments.

I herewith submit the following form of order:

ORDER.

Corona Home Telephone and Telegraph Company having applied to the Railroad Commission for permission to issue $8,900 of bonds, a public hearing having been held, and the Commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required for the purpose or purposes specified in this order, and that the expenditures for such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income;

It is hereby ordered, that Corona Home Telephone and Telegraph Company be and it is hereby authorized to issue and sell on a 7½ per cent basis, or on a more favorable basis, $8,900 face value of its first mortgage 5 per cent bonds, payable November 1, 1938, for the purpose of reimbursing its treasury and paying in part for the construction of the additions and betterments referred to in the foregoing opinion and in this application.

The authority herein granted is subject to the following conditions:

1. All proceeds obtained from the sale of bonds, the issue of which is herein authorized, shall be used by applicant to pay in part for the construction of the additions and betterments referred to in this application.

2. Corona Home Telephone and Telegraph Company shall keep such record of the issue and sale of the bonds herein authorized and of the disposition of the proceeds as will enable it to file, on or before the twenty-fifth day of each month, a verified report as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

3. The authority herein granted will not become effective until applicant has paid the fee prescribed in the Public Utilities Act.

4. The authority herein granted will apply only to such bonds as may be issued on or before December 15, 1920.

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The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this nineteenth day of June, 1920.

DECISION NO. 7755.

IN THE MATTER OF THE APPLICATION OF LOS ANGELES GAS AND ELECTRIC CORPORATION FOR AN ORDER AUTHORIZING THE ISSUE AND SALE OF BONDS IN THE AMOUNT OF ONE MILLION FIVE HUNDRED THOUSAND DOLLARS.

Application No. 5624.

Decided June 19, 1920.

BY THE COMMISSION.

FIRST SUPPLEMENTAL ORDER.

The Railroad Commission, by Decision No. 7505, dated April 30, 1920, having authorized Los Angeles Gas and Electric Corporation to create an additional bonded debt of $3,000,000 to be represented by four-year 7 per cent bonds dated April 1, 1920, and having authorized the company to issue and sell $1,000,000 of said bonds, and deposit $1,500,000 of its first and refunding mortgage 5 per cent bonds, due September 1, 1939, all subject, among others, to the condition that none of the general mortgage and collateral trust bonds be issued and sold until the Commission has, by supplemental order, authorized the execution of a mortgage or deed of trust securing the payment of the bonds, and applicant having filed a copy of its proposed mortgage or deed of trust which, for the purpose of identification, has been marked applicant's Exhibit "F," and the Commission being of the opinion that applicant should be granted authority to execute a mortgage or deed of trust substantially in the same form as applicant's Exhibit "F" subject to the conditions of this order; now, therefore

It is hereby ordered, that Los Angeles Gas and Electric Corporation be and it is hereby authorized to execute a mortgage or deed of trust substantially in the same form as the mortgage or deed of trust filed in this proceeding and marked applicant's Exhibit "F"; provided, that the approval herein given of said mortgage or deed of trust is for the purpose of this proceeding only and an approval in so far as this Commission has jurisdiction under the terms of the Public Utilities Act, and is not intended as an approval of said mortgage or deed of trust as to such other legal requirements to which said mortgage or deed of trust may be subject; and provided, further, that prior to the issue by applicant of any of its first and refunding bonds, or general mortgage and collateral trust bonds, mentioned in said mortgage of

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deed of trust, in addition to those authorized by Decision No. 7505, dated April 30, 1920, it will obtain from the Commission an order authorizing the issue of such additional bonds;

It is hereby further ordered, that the order in Decision No. 7505, dated April 30, 1920, shall remain in full force and effect except as modified in this first supplemental order.

Dated at San Francisco, California, this nineteenth day of June, 1920.

DECISION NO. 7756.

IN THE MATTER OF THE APPLICATION OF COTTONWOOD IRRIGATION AND MINING COMPANY FOR ORDER AUTHORIZING THE ISSUE OF STOCK.

Application No. 4891.

Decided June 19, 1920.

BY THE COMMISSION.

ORDER.

Cottonwood Irrigation and Mining Company having applied to the Railroad Commission for permission to issue $3,600 of common stock in lieu of a like amount of stock heretofore sold without an order from the Commision, a public hearing having been held before Examiner Satterwhite, and it appearing from the testimony that applicant at the time it sold the $3,600 of stock was not advised of the provisions of the Public Utilities Act, declaring stock issued without permission from the Commission null and void; that it received $3,600 from the sale of its stock and used all of the money to construct the "Grouse Creek Ditch," a necessary addition to its water system, and the Commission being of the opinion that this application should be granted; now therefore

It is hereby ordered, that Cottonwood Irrigation and Mining Company be and it is hereby authorized to issue, on or before December 31, 1920, $3,600 par value of common stock in lieu of a like amount of stock heretofore sold without an order from the Railroad Commission; provided, the stock certificates heretofore delivered to represent the $3,600 of stock be called in and cancelled before any stock and new certificates are issued in lieu thereof; and provided, further, that applicant file a report with the Commission, on or before the twenty-fifth day of each month, showing the face value of stock issued in exchange for stock certificates surrendered during the preceding month and the names of the persons to whom the stock was issued.

Dated at San Francisco, California, this nineteenth day of June, 1920.

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DECISION No. 7769.

IN THE MATTER OF THE APPLICATION OF SOUTHERN PACIFIC COMPANY FOR THE APPROVAL OF A LEASE OF RAILROAD EQUIPMENT AND AN AGREEMENT PROVIDING FOR THE CONSTRUCTION OF SUCH EQUIPMENT AND THE ISSUANCE OF TRUST CERTIFICATES, SERIES "E."

Application No. 5810.

Decided June 21, 1920.

BY THE COMMISSION.

FIRST SUPPLEMENTAL ORDER.

Good cause appearing;

It is hereby ordered, that the provisions of the order in Decision No. 7741, dated June 18, 1920, reading:

It is hereby ordered, that Southern Pacific Company be, and it is hereby, granted authority to enter into a lease of railroad equipment from Commercial Trust Company, and to enter into an agreement with Harry E. Righter and Andrew S. Hannum and Commercial Trust Company, said proposed lease and agreement to be substantially in the form of the lease and agreement heretofore filed with this Commission in this proceeding and marked Exhibit "A," it being understood that the authority herein granted to enter into said lease of railroad equipment and agreement relates only to equipment to be used wholly for instrastate purposes within the State of California.

It is hereby further ordered, that Southern Pacific Company be and it is hereby granted authority to guarantee the payment of 7 per cent equipment trust certificates in the amount of $1,903,214, and dividend warrants attached thereto, the issue of which equipment trust certificates is hereby authorized for the purpose of enabling applicant to acquire equipment to be used wholly for intrastate purposes in the State of California.

The authority herein granted is subject to the further conditions, as follows:

1. The equipment trust certificates herein authorized to be issued shall be sold for not less than 96½ per cent of their face value, plus accrued dividends, and the proceeds used to pay in whole or in part for the equipment set forth in the foregoing opinion, which equipment will be used wholly for intrastate purposes within the State of California,

be, and the same are hereby amended so as to read:

It is hereby ordered, that Southern Pacific Company be and it is hereby granted authority to enter into a lease of railroad equipment from Commercial Trust Company, and to enter into an agreement with Harry E. Righter and Andrew S. Hannum and Commercial Trust Company, said proposed lease and agreement to be substantially in the form of the lease and agreement heretofore filed with this Commission in this proceeding and marked Exhibit "A," to the extent that the Commission has jurisdiction.

It is hereby further ordered, that Southern Pacific Company be and it is hereby granted authority to guarantee the payment of said 7 per cent equipment trust certificates and dividend warrants attached thereto, to the extent that the Commission has jurisdiction, in the premises.

The authority herein granted is subject to the further conditions, as follows:

1. The equipment trust certificates herein authorized to be issued shall be sold for not less than 96½ per cent of their face value, plus accrued dividends, and the proceeds used to pay in whole or in part for the equipment described in said lease, of which equipment costing at least one million nine hundred and three thousand two hundred and fourteen dollars will be used wholly for intrastate purposes within the State of California.

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It is hereby further ordered, that Southern Pacific Company is responsible for the payment of a fee on $1,903,214 of said equipment trust certificates.

It is hereby further ordered, that the order in Decision No. 7741, dated June 18, 1920, shall remain in full force and effect, except as modified by this first supplemental order.

Dated at San Francisco, California, this twenty-first day of June, 1920.

DECISION NO. 7770.

IN THE MATTER OF THE APPLICATION OF THE SAN DIEGO AND ARIZONA RAILWAY COMPANY FOR ORDER AUTHORIZING THE SALE OF BONDS.

Application No. 808.

(Supplemental.)

Decided June 21, 1920.

Read G. Dilworth and *E. J. Foulds*, for Applicant.

LOVELAND, *Commissioner.*

THIRD SUPPLEMENTAL OPINION.

San Diego and Arizona Railway Company asks permission to issue $1,000,000 face value of bonds and amend its mortgage heretofore executed to United States Mortgage and Trust Company to secure the payment of an authorized bond issue of $12,000,000.

Section 2 of article 2 of applicant's mortgage now reads:

> Eight million dollars ($8,000,000) face value of said bonds may be executed by the company at any time after the execution of this indenture and shall be delivered to the trustee for authentication, and without any further action on the part of the company, shall by the trustee be authenticated and delivered upon the written order of the company, signed by its president or one of its vice presidents and by its secretary or treasurer, under its corporate seal. The said $8,000,000 of bonds may be executed and authenticated at any one time or from time to time as the company shall, at its option, elect.

Applicant asks permission to modify the foregoing section so as to cover $9,250,000 of bonds, leaving $2,750,000 instead of $4,000,000 out of the authorized issue of $12,000,000 which the trustee may authenticate and deliver from time to time to reimburse the company for specific expenditures mentioned in the mortgage. It is of record that all the stockholders and all the bondholders have given their consent to the modification of the mortgage.

It was originally estimated that $8,000,000 of bonds, together with stock heretofore issued, would be sufficient to cover the cost of applicant's line of railway. The testimony shows that to complete the road the issue of an additional $1,000,000 of bonds is necessary.

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Applicant reports that this increased cost is due to increased cost of material and labor and many adverse conditions beyond its control, which have arisen since the commencement of the construction of its railroad.

Applicant reports $2,000,000 of common and $5,826,800 of preferred stock and $9,500,000 of bonds outstanding. Of the outstanding bonds, $1,500,000 were issued to acquire the properties of San Diego and Southeastern Railway Company and the remaining $8,000,000 to pay in part the cost of constructing applicant's railroad. This Commission has authorized the issue of all of the preferred stock and all of the bonds now outstanding.

The record shows that pursuant to the terms of an agreement dated October 1, 1916, Southern Pacific Company has advanced to applicant up to April 30, 1920, the sum of $680,855.39 to cover construction costs, against which no bonds have been issued. Applicant's engineers are of the opinion that to complete the line, an additional sum of $319,144.61 will have to be expended for the purposes set forth in the supplemental application, making a total expenditure of $1,000,000 against which this Commission has not authorized the issue of any bonds.

The $1,000,000 of bonds which applicant asks permission to issue will be taken by the Southern Pacific Company at par, in liquidation of advances made by it from time to time.

I herewith submit the following form of order:

SEVENTEENTH SUPPLEMENTAL ORDER.

San Diego and Arizona Railway Company, having applied to the Railroad Commission for permission to amend its mortgage and issue $1,000,000 of bonds, a public hearing having been held, and the Commission being of the opinion that the money, property or labor to be procured through such issue is reasonably required by applicant and that the purposes for which the expenditures will be made are not in whole or in part reasonably chargeable to operating expenses or to income;

It is hereby ordered, that San Diego and Arizona Railway Company be and it is hereby authorized to execute amendments to its mortgage substantially in the same form as the amendments set forth in applicant's Exhibit No. 1; provided, that the approval herein given of said amendments is for the purpose of this proceeding only and an approval in so far as this Commission has jurisdiction under the terms of the Public Utilities Act and is not intended as an approval of said amendments as to such other legal requirements to which said amendments may be subject.

It is hereby further ordered, that San Diego and Arizona Railway Company be and it is hereby authorized to issue and sell, on or before

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December 15, 1920, to Southern Pacific Company, at not less than their face value, $1,000,000 of its 6 per cent bonds, for the purpose of paying the Southern Pacific Company for moneys to a like amount advanced or to be advanced applicant by said Southern Pacific Company, and used or to be used by applicant in constructing and equipping applicant's railroad, as more particularly set forth in schedules attached to the supplemental petition herein; provided—

1. That the authority herein granted will not become effective until applicant has paid the fee prescribed in the Public Utilities Act.

2. That San Diego and Arizona Railway Company will keep such record of the issue and sale of the bonds herein authorized and of the disposition of the proceeds as will enable it to file, on or before the twenty-fifth day of each month, a verified report as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

The foregoing third supplemental opinion and seventeenth supplemental order are hereby approved and ordered filed as the third supplemental opinion and seventeenth supplemental order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-first day of June, 1920.

DECISION No. 7772.

IN THE MATTER OF THE APPLICATION OF EL DORADO WATER COMPANY TO ISSUE BONDS.

Application No. 5748.
Decided June 21, 1920.

B. D. Marx Greene, for Applicant.

LOVELAND, *Commissioner.*

OPINION.

El Dorado Water Company asks permission to issue and sell at not less than 92 per cent of their face value plus accrued interest $22,000 of its 6 per cent bonds, due July 1, 1949.

Applicant reports that it has expended $7,572 for the following purposes:

Pipe line right of way	$715 00
Construction as follows:	
Pipe line on Gold Hill ditch, 14½-inch riveted steel, 385 feet (second hand)	410 00
Spillway Sacramento Hill reservoir	100 00
Pipe flume at head of Foster ditch, 272 feet	296 00
Pipe line on Gold Hill ditch, 600 feet 16-inch woodstave	1,184 00
Pipe lines on Gold Hill ditch, 1500 feet 14-inch woodstave	2,138 00
Ditch on line of Gold Hill ditch, 1700 feet	229 00
Lining Gold Hill ditch with concrete, 500 feet	625 00
Raising Blakley reservoir dam 5 feet, 3500 cubic yards	1,750 00
New weirs and gauges	125 00
Total	$7,572 00

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The testimony shows that to pay for the improvements herein en erated, applicant borrowed, through the issue of short term no $6,500, and invested from earnings the sum of $1,072.

Applicant further reports that it will be necessary for it to exp within the near future $12,122 for the following improvements:

Completion raising Blakley reservoir	$2(
330 feet 16-inch woodstave pipe on Gold Hill ditch	6(
Additional measuring and other minor structures	2(
Purchase of reservoir site, 100 acres	3,0(
Improvements present main canal by relocating a line two miles	8,0(
Total	$12,12

The expenditures incurred, or which applicant believes it sh incur, are necessary for the purpose of securing a more satisfac quality of water for domestic use in Placerville, to prevent the los water through seepage, to increase applicant's water supply for irr tion use and reduce operating expenses.

The record shows that applicant has made arrangements for sale of its bonds at 92 plus accrued interest.

I herewith submit the following form of order:

ORDER.

El Dorado Water Company having applied to the Railroad C mission for permission to issue $22,000 face value of 6 per cent b due July 1, 1949, a public hearing having been held, and the Com sion being of the opinion that the money, property or labor t procured or paid for by such issue is reasonably required by appli and that the expenditures for such purpose are not in whole or part reasonably chargeable to operating expenses or to income;

It is hereby ordered, that El Dorado Water Company be and hereby authorized to issue and sell for cash, on or before Decembe 1920, at not less than 92 per cent of their face value plus acc interest, $22,000 of its first mortgage 6 per cent bonds due Jul 1949, and use approximately $1,072 of the proceeds to reimburs treasury on account of earnings expended for the construction improvements, $6,500 to pay indebtedness incurred on account of construction of improvements, and use the remainder of the proc to pay for the construction of the following improvements:

Completion raising Blakley reservoir	$2(
330 feet, 16-inch woodstave pipe on Gold Hill ditch	6(
Additional measuring and other minor structures	2(
Purchase of reservoir site, 100 acres	3,0(
Improvements present main canal by relocating a line two miles	8,0(
Total	$12,1

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The authority herein granted is subject to further conditions as follows:

1. El Dorado Water Company shall keep such record of the issue and sale of the bonds herein authorized and of the disposition of the proceeds as will enable it to file, on or before the twenty-fifth day of each month, a verified report as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

2. The authority herein granted will not become effective until applicant has paid the fee prescribed in the Public Utilities Act.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-first day of June, 1920.

DECISION No. 7773.

IN THE MATTER OF THE APPLICATION OF SUTTER BUTTE CANAL COMPANY, A CORPORATION, FOR PERMISSION TO SELL REFUNDING SIX PER CENT SINKING FUND GOLD BONDS HAVING A FACE VALUE OF EIGHT HUNDRED THOUSAND DOLLARS.

Application No. 4272.

Decided June 23, 1920.

BY THE COMMISSION.

THIRD SUPPLEMENTAL ORDER.

Sutter Butte Canal Company having reported that it has sold $317,000 of the $800,000 face value of bonds, the issue of which the Commission authorized in Decision No. 6034, dated December 28, 1918, as amended; that it has paid out of income the $84,567.84 of notes set forth in paragraph "4" of the order in said Decision No. 6034, for the payment of which the Commission authorized the issue of $99,360 face value of bonds; that none of the $99,360 of bonds have been issued; that it has expended, or will have to expend, for the construction of permanent improvements, the sum of $119,200, as more particularly set forth in the supplemental petition herein; that to finance in part this construction it is necessary for it to ask the Commission to modify its order in Decision No. 6034, as amended, so as to permit it to sell $133,000 of said bonds at not less than 80 per cent of their face value and accrued interest, and the engineering department of the Commission having reported that the expenditures of applicant are reasonable, and the Commission being of the opinion that applicant's supplemental petition should be granted; now, therefore

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It is hereby ordered, that the order in Decision No. 6034, dated December 28, 1918, as amended, be and it is hereby modified so as to permit Sutter Butte Canal Company to sell at not less than 80 per cent of their face value plus accrued interest $133,000 of the $800,000 face value of bonds, the issue of which is authorized by said Decision No. 6034, dated December 28, 1918, as amended, and use the proceeds to pay in part for the construction of the permanent improvements referred to in the supplemental petition filed in the above entitled matter on June 22, 1920, or to reimburse its treasury because of income having been used to pay for the construction of such permanent improvements; provided, that the authority herein granted will not become effective until applicant has paid the fee prescribed by the Public Utilities Act.

It is hereby further ordered, that the order in Decision No. 6034, dated December 28, 1918, as amended, shall remain in full force and effect except as modified by this third supplemental order.

Dated at San Francisco, California, this twenty-third day of June, 1920.

DECISION No. 7775.

IN THE MATTER OF THE APPLICATION OF WEST SIDE GAS COMPANY, A CALIFORNIA CORPORATION, JOSEPH McDONALD, AND WEST SIDE NATURAL GAS COMPANY, ALSO A CALIFORNIA CORPORATION, FOR AN ORDER AUTHORIZING WEST SIDE GAS COMPANY TO SELL ALL OF ITS PROPERTY TO WEST SIDE NATURAL GAS COMPANY, AND AUTHORIZING JOSEPH McDONALD TO SELL ALL PROPERTY OWNED AND OPERATED BY HIM AS A SELLER OF GAS AND AUXILIARY SUPPLIES IN THE COUNTY OF KERN, STATE OF CALIFORNIA, TO SAID WEST SIDE NATURAL GAS COMPANY, AND AUTHORIZING WEST SIDE NATURAL GAS COMPANY TO PURCHASE SUCH PROPERTIES AND ISSUE SHARES OF ITS CAPITAL STOCK IN PAYMENT THEREFOR.

Application No. 5611.

Decided June 24, 1920.

Lilienthal, McKinstry, Raymond, Haber and Firebaugh, by *Joseph Haber*, for Applicants.

LOVELAND, *Commissioner*.

OPINION.

In this application Joseph McDonald and West Side Gas Company ask permission to sell the properties described in applicants' Exhibit "D" and Exhibit "E" respectively, to West Side Natural Gas Company, which joins in the application, and asks permission to issue $150,000 of common capital stock in payment for the properties.

The record shows that Joseph McDonald is engaged in the business of selling natural gas and auxiliary supplies in Fellows and South

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Taft and that West Side Gas Company is engaged in selling natural gas in Taft and Maricopa. Both obtain their gas supply from the Midway Gas Company. The operating revenues and expenses of the two gas systems for 1919 are reported as follows:

Item	West Side Gas Company	Joseph McDonald	Total
Operating revenues	$52,201 68	$23,101 42	$75,303 10
Operating expenses	37,577 39	15,038 67	52,616 06
Net operating revenues	$14,624 29	$8,062 75	$22,687 04

Joseph McDonald believes that the operating revenues and expenses for 1920 will be about the same as for 1919. The properties are not subject to any indebtedness, except current liabilities of a nominal amount.

In Exhibit "B," prepared by James T. Ryan, consulting engineer, applicants report the estimated cost of the properties at $153,290. This amount is made up of the following items:

Item	West Side Gas Company properties	Joseph McDonald properties	Total
Real estate	$12,000 00	$1,000 00	$13,000 00
Buildings	4,727 00	6,250 00	10,977 00
Transmission pipes	4,082 00		4,082 00
Distribution mains	36,335 00	23,470 00	59,805 00
Services	16,905 00	10,722 00	27,627 00
Regulators	989 00	198 00	1,187 00
Meters	14,098 00	7,921 00	22,019 00
Meter shop equipment	575 00		575 00
Service equipment	1,344 00		1,344 00
Garage equipment	159 00		159 00
Supplies	6,465 00		6,465 00
Furniture and fixtures	2,475 00		2,475 00
Arc lamps	3,575 00		3,575 00
Totals	$103,729 00	$49,561 00	$153,290 00

In arriving at the above figures, James T. Ryan testified that he used the unit prices found in a former appraisal made by F. E. Hoar, who at the time of making his appraisal was gas and electrical engineer of the Railroad Commission, and the average unit prices for material and labor subsequent to the date of the appraisal made by F. E. Hoar.

The record shows that West Side Gas Company has $150,000 of stock outstanding, all of which, except shares necessary to qualify directors, is owned by Joseph McDonald. He thus owns or controls, through stock ownership, the properties which, with the Commission's approval, will be transferred to West Side Natural Gas Company. These properties will be transferred to the new company in

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exchange for $149,700 of stock. Joseph McDonald intends to retain the stock received in payment for the properties. There will thus be no change in the management of the operation of the properties. The consolidation of the properties should result in a simplified accounting and will result in a more conservative capitalization.

I herewith submit the following form of order:

ORDER.

Joseph McDonald and West Side Gas Company having applied to the Railroad Commission for permission to sell certain gas properties to West Side Natural Gas Company, and West Side Natural Gas Company having asked permission to purchase the properties and issue $150,000 of stock, a public hearing having been held, and the Commission being of the opinion that the money, property or labor to be procured by West Side Natural Gas Company through the issue of its stock is reasonably required by it and that the expenditures for such purposes are not in whole or in part reasonably chargeable to operating expenses or to income;

It is hereby ordered, that Joseph McDonald be and he is hereby authorized to sell to West Side Natural Gas Company the properties described in applicants' Exhibit "D."

It is hereby further ordered, that West Side Gas Company be and it is hereby authorized to sell to West Side Natural Gas Company the properties described in applicants' Exhibit "E."

It is hereby further ordered, that West Side Natural Gas Company be and it is hereby authorized to purchase said properties described in Exhibit "D" and Exhibit "E," and issue in full payment for such properties $149,700 of its common capital stock, as set forth in this application.

It is hereby further ordered, that West Side Natural Gas Company be and it is hereby authorized to issue at par $300 (3 shares) of its common capital stock for the purpose of qualifying its directors, and use the proceeds for working capital.

The authority herein granted is subject to the following conditions:

1. The par value of the stock hereby authorized to be issued by West Side Natural Gas Company, in payment for the properties to be acquired by it from West Side Gas Company and Joseph McDonald, shall never be urged before this Commission, or any other public body, as fixing the value of said properties for the purpose of establishing rates, or any purpose other than the transfer herein authorized.

2. West Side Natural Gas Company shall submit to this Commission for approval its opening book entries by which it intends to record the purchase of the properties of Joseph McDonald and West Side Gas Company, authorized in this order.

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3. West Side Natural Gas Company shall keep such record of the issue and sale of the stock herein authorized and of the disposition of the proceeds as will enable it to file, on or before the twenty-fifth day of each month, verified reports as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

4. The authority herein granted will apply only to such transfer of properties and to such issue of stock as may be made on or before November 1, 1920.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-fourth day of June, 1920.

DECISION No. 7776.

IN THE MATTER OF THE APPLICATION OF GROWERS' WAREHOUSE COMPANY, HUENEME WHARF AND WAREHOUSE COMPANY, LOMPOC WAREHOUSE COMPANY, MISSION WAREHOUSE COMPANY, MITCHELL SILLIMAN COMPANY, PACIFIC COAST RAILWAY COMPANY, SAN MIGUEL FLOURING MILL COMPANY, SOUTHERN PACIFIC MILLING COMPANY, VENTURA WHARF AND WAREHOUSE COMPANY, AND WALTER J. BLACKIE, FOR AUTHORITY TO INCREASE STORAGE RATES.

Application No. 5555.

Decided June 24, 1920.

C. W. Durbrow, for Applicants.

J. W. Willis, for California Bean Growers Association.

MARTIN, *Commissioner*.

OPINION.

In this proceeding applicants request authority to fix a uniform schedule of rates for storing and handling commodities as follows:

	Grain, beans, flour, feed, mustard and millstuff	Honey, dried and green fruits	Potatoes and onions	Hay
First month, per ton	$0 75	$1 25	$1 25	
Second month, per ton	25	25	50	
Third month, per ton	25	25	25	
Total for season, per ton	1 25	1 75	2 00	*$1 50

*Applies to Mission Warehouse Company only.

The adoption of this schedule, if authorized, would result in increases approximately 25 per cent on the greater bulk of commodities handled; as to other tonnage, the proposed increases would range higher in some instances and lower in others.

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Applicants' warehouses are located along the valleys adjacent to Pacific Coast, being served for the most part by Southern Pac Company and Pacific Coast Railway Company. Of the sixty-se units involved, Southern Pacific Milling Company operates fo Pacific Coast Railway Company seventeen, Mitchell-Silliman Compa three, and other applicants one each. Rates carried in schedules n on file are not uniform in all cases, and have, as to several of applicants, been in effect without change since 1912; in a few ot instances adjustments have been authorized by the Commission, none subsequent to 1916.

This application is based upon the representation that since fil their present tariffs applicants have been obliged to meet increa operating costs as follows:

Warehouse laborers	80 per cent incre
Foremen, weighers and bookkeepers	20 per cent incre
Superintendents	24 per cent incre
Overhead expense	18 per cent incre
Incidental expense	50 per cent incre

By reason of said increased operating costs, it is alleged that many instances the present earnings of applicants are not sufficie to defray the bare cost of running their warehouses, and that none said applicants are receiving adequate returns for the services wh they are required to perform.

A hearing was held in San Francisco on June 14, 1920, at wh time a number of exhibits were submitted and several witnesses testif in support of the application. No one appeared in protest and evidence was offered in opposition to the rates proposed by applica

Exhibits Nos. 3, 4, 5 and 6, filed by Southern Pacific Milling Co pany, show in detail operating expenses at its various warehouses the years 1916, 1917, 1918 and 1919; also that there has been increase in the volume of warehouse business during said per which would tend to offset and absorb the increased operating expens the percentages of which have already been noted and set forth here warehouse earnings for the fiscal years 1916, 1917, 1918 and 19 being as follows:

Gross earnings, year ending May 31, 1916	$149,337
Gross earnings, year ending May 31, 1917	123,599
Gross earnings, year ending May 31, 1918	123,244
Gross earnings, year ending May 31, 1919	122,343

Percentage of decrease for period, 18.1 per cent.

This steady decline in gross earnings based upon unchanging ra points to a falling off in tonnage handled, which is plainly shown Exhibit No. 8 as follows:

Tonnage handled, 1916	174,973 t
Tonnage handled, 1917	141,253 t
Tonnage handled, 1918	133,041 t
Tonnage handled, 1919	129,334 t

Percentage of decrease for period, 26.1 per cent.

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Exhibit No. 8 further shows with respect to Southern Pacific Milling Company that while tonnage handled has decreased 26.1 per cent within the last four years, resulting in reduced gross earnings equal to 18.1 per cent, direct labor costs for the same period have increased 48.2 per cent. It is predicted by this applicant that further increases in the cost of labor will have to be met during the 1920 warehouse season.

The net result of the operation of the warehouses of other applicants for the season 1919, and the amounts of their investments, are shown in the following table:

Name	Investment	Net revenue	Net loss
Ventura Wharf and Warehouse Company	$15,130 00		$15 00
Hueneme Wharf and Warehouse Company	60,000 00		1,194 00
Mitchell-Silliman Company	42,078 00		2,550 00
Lompoc Warehouse Company	22,755 00		485 00
Growers Warehouse Company	16,700 00		576 00
Pacific Coast Railway Company	109,513 00	$4,120 00	

Exhibits presented on behalf of the three remaining companies are of a general nature, but indicate, as does also the testimony offered at the hearing, that the warehouse situation, with special reference to increased operating expenses, is practically identical at the various points involved, ranging as they do from Salinas on the north to Hueneme and Santa Susana in southern Ventura County.

The warehouse service afforded by applicants appears to be adequate and satisfactory. The evidence shows that in so far as an expression from storers had been obtained, it had been to the effect that such patrons consider the proposed rates fair and reasonable for the services performed.

I am of the opinion that the rates requested have been fully justified by applicants and should be authorized.

I recommend the following form of order:

ORDER.

Growers' Warehouse Company, Hueneme Wharf and Warehouse Company, Lompoc Warehouse Company, Mission Warehouse Company, Mitchell-Silliman Company, Pacific Coast Railway Company, San Miguel Flouring Mill Company, Southern Pacific Milling Company, Ventura Wharf and Warehouse Company, and Walter J. Blackie, having applied to this Commission for authority to increase warehouse rates at their several warehouses, a public hearing having been held thereon, the matter having been submitted, and the Commission being fully advised in the premises;

It is hereby found as a fact that the rates shown in schedules now on file by applicants named herein, in so far as they conflict with the

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rates herein fixed and established, are unjust, unreasonable and non-compensatory, and that the rates authorized by this order are just and reasonable rates for the service involved.

Basing this order upon the foregoing findings of fact and upon matters set out in the opinion preceding the same;

It is hereby ordered, that the above named warehousemen be and they are hereby authorized to publish and file, effective one day thereafter, schedules embodying the rates herein found to be just and reasonable, which rates are set out in detail in the foregoing opinion,

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-fourth day of June, 1920.

DECISION No. 7778.

IN THE MATTER OF THE APPLICATION OF CHRISTIAN BLAKEMORE, A WAREHOUSEMAN, TO INCREASE RATES FOR STORING AND HANDLING GRAIN AT MILLAR AND VALE STATIONS, SOLANO COUNTY.

Application No. 5601.

Decided June 24, 1920.

Christian Blakemore, in propria persona.

BY THE COMMISSION.

OPINION.

Applicant operates two warehouses in Solano County, both located on the line of San Francisco-Sacramento Railroad Company, one at Millar Station and the other at Vale. The former, owned by the railroad company, is under lease to applicant at an annual rental of $600; the Vale property is owned by applicant and represents an outlay of $1,125 when purchased in 1917. To this has been added a wagon scale costing $300 and a loading machine worth $600, making a total investment of $2,025 at the Vale warehouse. Grain is the principal commodity stored, of which an average of 3800 tons per year has been handled during the last three seasons, the total capacity of both warehouses being 4500 tons. A small tonnage of hay is also handled each year, yard storage being available if needed.

Rates desired by applicant and rates at present in effect are as follows:

	Present rate	Proposed rate	Increase
Yard storage, per season, per ton	$0 75	$1 00	$0 25
Weighing and loading to cars, per ton	42	50	08
Reweighing, per ton	20	25	05

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The request is based upon alleged increased operating costs with reference to labor, equipment, materials and board which, according to the application, have advanced to levels from 50 to 100 per cent higher than prices obtaining in 1918. Applicant paid $3 per day and board for warehouse labor during the 1919 season and expects to pay not less than $4 per day and board for the current season. The additional revenue which would result from the proposed rates is problematic, being almost wholly contingent upon the amount of yard storage offered, no increase having been asked for storage in applicant's warehouses. If the volume of tonnage stored should prove to be small, as appears likely, warehouse storage alone may be in demand, in which case no increase in revenue would result.

A hearing on the application was held at Davis on June 15, 1920, at which confirmatory testimony was offered in support thereof, including a showing that notice of the hearing had been mailed to 90 per cent of applicant's patrons and that no protest against the proposed rates had been received. It also appeared that a number of applicant's patrons had affirmatively approved the proposed rates. No one appeared at the hearing to oppose the application.

The Commission believes that the rates requested by applicant have been justified and should be authorized.

ORDER.

Christian Blakemore, a warehouseman, having applied to this Commission for authority to increase warehouse rates, a hearing having been held thereon, the matter having been submitted, and the Commission being apprised as to all the facts and circumstances involved:

It is hereby found as a fact that the rates proposed in the application are fair and reasonable and that rates shown in applicant's schedule now on file, in so far as they conflict with rates herein established, are unjust and noncompensatory.

Basing this order upon the foregoing finding of fact and other facts set out in the preceding opinion;

It is hereby ordered, by the Railroad Commission of the State of California, that Christian Blakemore, a warehouseman, be and he is hereby authorized to publish, file and place in effect one day thereafter the following rates for warehouse service at Millar Station and Vale Station on the line of the San Francisco-Sacramento Railroad Company in Solano County:

For yard storage, per season	$1 00 per ton
For weighing and loading to car direct	50 per ton
For reweighing	25 per ton

Dated at San Francisco, California, this twenty-fourth day of June, 1920.

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DECISION NO. 7779.

IN THE MATTER OF THE APPLICATION OF SANTA MARIA VALLEY WAREHOUSE COMPANY FOR AUTHORITY TO INCREASE STORAGE RATES.

Application No. 5691.

Decided June 24, 1920.

C. W. Durbrow, for Applicant.

J. W. Willis, for California Bean Growers Association.

MARTIN, *Commissioner*.

OPINION.

This application involves the same matter as that covered by the application of Growers Warehouse Company et al. (Application No. 5555, Decision No. 7776), to which reference should be made for details not shown herein; the general territory served is identical; the service performed and rates charged are in all respects similar and the rates requested are the same. The testimony and exhibits submitted in said Application No. 5555 were, in so far as applicable and by agreement at the hearing, considered as in evidence in this proceeding.

Exhibit No. 9 shows the following result from the operation of the warehouses of Santa Maria Valley Warehouse Company for the year 1919:

Warehouse revenue	$5,617 00
Warehouse expenses	5,903 00
Net loss	$286 00

It was further shown at the hearing that applicant has an investment in warehouse property amounting to $46,345, and that its operating expenses have increased in the same proportion as at other warehouses located in the same general district.

In view of the said investment and resulting net loss for the single year this property has been in operation as a public utility, and because of the other conditions surrounding the service, I am of the opinion that the proposed increase has been justified and should be allowed.

ORDER.

Santa Maria Valley Warehouse Company having applied to this Commission for authority to increase warehouse rates, a hearing having been held thereon, the matter having been submitted, and the Commission being fully advised as to the matters involved:

It is hereby found as a fact that the rates proposed by applicant for warehouse service are fair and reasonable, and that the rates now charged, to the extent that they differ from the rates set forth herein, are unreasonable and noncompensatory.

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Basing this order upon the foregoing finding of fact and upon statements contained in the preceding opinion;

It is hereby ordered, by the Railroad Commission of the State of California, that Santa Maria Valley Warehouse Company be and the same is hereby authorized to publish and file as the law provides, effective one day after such filing, the following schedule of rates covering the storage and handling of products at its warehouses located at Santa Maria:

Schedule.

	Grain, beans, flour, feed, mustard, millstuff	Honey, and dried and green fruits	Potatoes and onions
First month, per ton	$0 75	$1 25	$1 25
Second month, per ton	25	25	50
Third month, per ton	25	25	25
Total for season	$1 25	$1 75	$2 00

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-fourth day of June, 1920.

DECISION No. 7780.

IN THE MATTER OF THE APPLICATION OF R. F. KERR FOR PERMISSION TO ABANDON PUBLIC WATER UTILITY IN NARRAGANSETT HEIGHTS AND BEACON HILLS, SAN DIEGO COUNTY, CALIFORNIA.

Application No. 4439.

Decided June 24, 1920.

Warren E. Libby, for Applicant.
Charles B. DeLong, for certain Protestants.
W. J. Mossholder, for certain Protestants.
W. C. Earle, for city of San Diego.

MARTIN, *Commissioner.*

OPINION.

Applicant in the above entitled proceeding alleges in effect that he is the owner of a public utility water system supplying three consumers in Narragansett Heights and Beacon Hills, two subdivisions adjoining the city of San Diego; that the cost of operation of the system is approximately $30 per month and the revenues do not exceed $4 per month; and that applicant is unable to secure sufficient funds to continue the operation of the system.

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Applicant therefore asks permission to abandon the water system.

A public hearing was held at which all interested parties were given an opportunity to be heard, and the matter is now ready for decision.

Testimony shows that the water supply is secured through a connection with the mains of the city of San Diego and conveyed through a riveted steel transmission line more than a mile in length to the tracts served. It was also shown that the transmission line had so deteriorated that constant repairs are necessary; that the cost of such repairs was greatly in excess of the revenues derived from the sale of water; and that, in order to furnish adequate service to consumers, a new transmission line would have to be installed.

Applicant's financial condition is such that, shortly after the filing of the application herein, he was forced to discontinue operation of the utility and offered to turn the system over to the consumers, who were, however, unwilling to assume the expense of operation.

Subsequently all consumers have moved away and the utility has in fact been abandoned for months.

Efforts have been made by the Commission's hydraulic engineer to induce the city of San Diego to lay a transmission line to the city limits, immediately adjacent to these tracts, but without success, and an attempt to form a mutual company to finance the necessary construction has failed.

Under the circumstances, I am of the opinion that permission to abandon the public utility should be granted.

ORDER.

R. F. Kerr having made application in the above entitled proceeding, a public hearing having been held thereon, and being fully advised in the matter;

It is hereby ordered, that R. F. Kerr be and he is hereby authorized to discontinue the operation of the public utility water system supplying Narragansett Heights and Beacon Hills, San Diego County.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-fourth day of June, 1920.

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DECISION NO. 7785.

IN THE MATTER OF THE APPLICATION OF PACIFIC GAS AND ELECTRIC COMPANY, A CORPORATION, FOR AN ORDER OF THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA, AUTHORIZING APPLICANT TO ELIMINATE EXISTING DEVIATIONS FROM ITS SCHEDULE OF METERED WATER RATES IN FORCE AND EFFECT IN THE CITY OF OROVILLE AND VICINITY.

Application No. 4939.

Decided June 24, 1920.

C. P. Cutten and *R. W. DuVal*, for Applicant.
R. A. Leonard, for the Mount Ida Packing Company and the Ehmann Olive Company.
E. D. Brereton, for the Western Ice and Fruit Cooling Company.
Charles Schleef, for the Swayne Lumber Company.

BY THE COMMISSION.

OPINION.

Applicant in the above entitled proceeding is the owner of a public utility water system through which it distributes water to the city of Oroville for municipal uses, and to consumers in and in the vicinity of said city for domestic and commercial purposes. It is alleged by applicant that the rates now in effect, being those charged and collected by its predecessor in interest, the Oro Water, Light and Power Company, contain certain deviations from the regularly established rates, and in this proceeding applicant asks for authority to remove said deviations and establish a certain schedule of rates which will more equitably distribute the charges for the service rendered.

The rates now in effect in the city of Oroville for metered water service are as follows:

For large quantities of water where the quantity does not exceed 20,000 gallons per month, there shall be charged for each 1000 gallons consumed, to be determined by meter or otherwise.....20 cents
Where the quantity used is more than 20,000 gallons per month, for each 1000 gallons over that amount.....15 cents

Applicant is now and has for some time past been furnishing and supplying water to certain of its larger consumers in the city of Oroville at rates which are different than the established rates applicable to the particular class of service rendered, as shown by the schedules of the company. A list of said consumers, together with the rates at which water service is being furnished and supplied, is as follows:

Western Ice and Fruit Cooling Company	3 cents per 1000 gallons
Ehmann Olive Company	$20 00 per month
Southern Pacific Railway Company	25 92 per month
Western Pacific Railway Company	18 10 per month
Natomas Rock Crushing Company	30 00 per month

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Applicant alleges that the schedule of rates which it proposes to establish will produce less than the total revenue now received, and prays for an order authorizing the establishment of said schedule and the removal of deviations in its existing water rates.

A public hearing was held in this matter and all interested parties were given an opportunity to appear and be heard.

At the time the Public Utilities Act became effective, the Railroad Commission required all utilities to file schedules of their regular charges. If there were any exceptions or deviations from their regular rates, the companies were required to file them separately, and these exceptions have usually been retained in effect until such time as the Commission had occasion to make a revision of the entire schedule of rates and charges of the company in question. This Commission has never passed upon the reasonableness of the present rates of Pacific Gas and Electric Company at Oroville, and it is unnecessary to do so in this proceeding.

Testimony shows that there are 1659 consumers supplied by the water system at Oroville, of whom nine have metered service. Three consumers of comparatively large quantities of water, the Southern Pacific Company, the Western Pacific Railway Company, and Natomas Rock Crushing Company, are unmetered.

It was also shown that the present deviations from the rates established by ordinance give certain consumers a decided advantage over others. The Ehmann Olive Company in 1919 used 11,462,250 gallons for $240, or at the rate of 2.1 cents per thousand gallons, and Western Ice and Fruit Cooling Company used 9,376,756 gallons for $283.96, or at the rate of 3 cents per thousand gallons. On the other hand, Mount Ida Packing Company used 3,488,988 gallons for $530.13, or at the rate of 15.2 cents per thousand gallons, and Sunnical Packing Company used 5,643,708 gallons for $857.55, or at the rate of 15.2 cents per thousand gallons.

Such discrimination as is indicated in the foregoing examples should by all means be removed.

Applicant's Exhibit No. 2, which was introduced at the hearing, shows that, based upon the same use of water as prevailed in 1919, the adoption of the proposed rates will result in slightly less revenue than was received from the application of the present discriminatory rates in that year.

In order that any possible discrimination may be avoided in the future, applicant herein should immediately place meters upon the services of Southern Pacific Company, Western Pacific Railway Company, and Natomas Rock Crushing Company.

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ORDER.

Pacific Gas and Electric Company having made application to the Railroad Commission as entitled above, a public hearing having been held, and the Commission being fully informed in the matter:

It is hereby found as a fact that certain deviations from regularly established rates now charged certain consumers for service of water by Pacific Gas and Electric Company in and in the vicinity of Oroville, California, result in unjust discrimination.

And basing its order upon the foregoing finding of fact and upon the statements of fact contained in the preceding opinion;

It is hereby ordered, that Pacific Gas and Electric Company be and it is hereby authorized and directed to eliminate such existing deviations from its schedule of measured rates and establish the following schedule of metered rates to supersede the rates charged those of its consumers now receiving service at discriminatory rates:

METERED RATE SCHEDULE.

From 0 to 20,000 gallons	$0 24	per 1000 gallons
From 20,000 to 50,000 gallons	0 15	per 1000 gallons
All over 50,000 gallons	0 10	per 1000 gallons

MONTHLY MINIMUM CHARGES.

One dollar per month per meter for all meters up to and including one inch in size. For all meters over one inch in size, the minimum rate shall be 50 cents per month for each half inch in size.

It is hereby further ordered, that Pacific Gas and Electric Company shall file the foregoing schedule of metered rates with the Railroad Commission within twenty (20) days of the date of this order, said schedule to be effective for all meter readings subsequent to July 1, 1920.

Dated at San Francisco, California, this twenty-fourth day of June, 1920.

DECISION No. 7796.

IN THE MATTER OF THE APPLICATION OF SECURITY WAREHOUSE AND COLD STORAGE COMPANY FOR PERMISSION TO ISSUE STOCK.

Application No. 5155.

Decided June 24, 1920.

BY THE COMMISSION.

SECOND SUPPLEMENTAL ORDER.

Whereas, the Railroad Commission, by Decision No. 6944, dated December 17, 1919, authorized Security Warehouse and Cold Storage Company to issue at par, $300,000 of its capital stock; and

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Whereas, Conditions "2" and "3" of the order in said Decision No. 6944 authorized applicant to use $230,750 of the proceeds from the sale of the $300,000 of stock for the purchase of real property, the construction of a warehouse and cold storage building and the acquisition of necessary equipment thereto, and deposit the balance, $69,250, in a special fund to be spent only for such purposes as the Railroad Commission might authorize; and

Whereas, Security Warehouse and Cold Storage Company now asks permission to use $275,000 for the land, buildings and equipment, reporting that the added cost is due to increased cost of labor and material; and

Whereas, the company asks permission to use $10,000 of the proceeds deposited in a special fund for working capital, and it appearing to the Railroad Commission that applicant's request should be granted; now, therefore—

It is hereby ordered, that Condition "2" of the order in Decision No. 6944, dated December 17, 1919, be and it is hereby modified so as to permit Security Warehouse and Cold Storage Company to use $275,000 of the proceeds obtained from the sale of the $300,000 of stock authorized by said Decision No. 6944, for the purchase of the real property, the construction of the warehouse and cold storage building, and the acquisition of necessary equipment thereto described in the original petition herein and in exhibits filed in connection therewith.

It is hereby further ordered, that Security Warehouse and Cold Storage Company, be and it is hereby authorized to use, for working capital, $10,000 of the proceeds from the sale of the $300,000 of stock, the sale of which was authorized by Decision No. 6944.

It is hereby further ordered, that the order in Decision No. 6944, dated December 17, 1919, shall remain in full force and effect, except as modified by this second supplemental order.

Dated at San Francisco, California, this twenty-fourth day of June, 1920.

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DECISION No. 7797.

IN THE MATTER OF THE APPLICATION OF PACIFIC GAS AND ELECTRIC COMPANY, A CORPORATION, FOR AN ORDER OF THE RAILROAD COMMISSION OF CALIFORNIA AUTHORIZING IT TO ISSUE, SELL AND DELIVER ITS FIRST PREFERRED STOCK TO THE PAR VALUE OF THREE MILLION FIVE HUNDRED THOUSAND DOLLARS AND TO USE THE PROCEEDS FROM THE SALE OF SAID FIRST PREFERRED STOCK IN THE MANNER AND FOR THE PURPOSES DESCRIBED HEREIN.

Application No. 4704.

Decided June 24, 1920.

BY THE COMMISSION.

SECOND SUPPLEMENTAL ORDER.

Good cause appearing;

It is hereby ordered, that Pacific Gas and Electric Company may issue, on or before June 30, 1921, at not less than $80 per share, the stock authorized by the order in Decision No. 6468, dated June 30, 1919, and use the proceeds in the manner and for the purposes specified in Decision No. 6803, dated October 28, 1919.

It is hereby further ordered, that the orders in Decision No. 6468, dated June 30, 1919, as amended, and No. 6803, dated October 28, 1919, shall remain in full force and effect, except as modified by the second supplemental order.

Dated at San Francisco, California, this twenty-fourth day of June, 1920.

DECISION No. 7798.

IN THE MATTER OF THE APPLICATION OF LAKE TAHOE RAILWAY AND TRANSPORTATION COMPANY FOR AN ORDER PERMITTING THE RENEWAL OF OUTSTANDING NOTES.

Application No. 5115.

Decided June 24, 1920.

BY THE COMMISSION.

FIRST SUPPLEMENTAL ORDER.

Lake Tahoe Railway and Transportation Company having filed with the Railroad Commission its supplemental petition in the above entitled matter, asking for permission to pay interest at the rate of 6½ per cent per annum instead of 6 per cent per annum on the $50,000 of notes authorized to be issued by Decision No. 6876, dated November 28, 1919, and it appearing to the Railroad Commission that applicant's request should be granted; now, therefore—

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It is hereby ordered, that the order in Decision No. 6876, dated November 28, 1919, be and it is hereby amended so as to permit Lake Tahoe Railway and Transportation Company to pay interest at the rate of 6½ per cent per annum on the notes authorized to be issued by said Decision No. 6876.

It is hereby further ordered, that the order in Decision No. 6876, dated November 28, 1919, shall remain in full force and effect, except as modified by this first supplemental order.

Dated at San Francisco, California, this twenty-fourth day of June, 1920.

DECISION No. 7801.

IN THE MATTER OF THE APPLICATION OF SOUTHERN PACIFIC COMPANY FOR AN ORDER AUTHORIZING THE CONSTRUCTION OF A DRILL TRACK AT GRADE IN STANFORD AVENUE CROSSING DOYLE AND BEAUDRY STREETS, IN THE TOWN OF EMERYVILLE, COUNTY OF ALAMEDA, STATE OF CALIFORNIA.

Application No. 5761.

Decided June 26, 1920.

GRADE CROSSINGS—CURVATURE.—It is held that the construction of a spur track with a curvature of 15 degrees to 18 degrees 30 minutes, while heavy, is not impractical or dangerous for switching purposes, and such construction is ordered in lieu of the spur as proposed which is objectionable to adjacent residents.

Frank B. Austin, for Southern Pacific Company.

J. H. Mee, for the Mee Estate.

Geo. Gelder, for certain residents of Emeryville.

W. H. Christie, for town of Emeryville.

MARTIN, *Commissioner*.

OPINION.

In this application, filed June 1, 1920, the Southern Pacific Company seeks permission to construct a drill track at grade in and along Stanford avenue and across Doyle and Beaudry streets in the town of Emeryville, Alameda County. Resolution No. 657, passed by the board of trustees of Emeryville, grants permission for the construction of this track.

The Southern Pacific Company started to construct this spur track across the above mentioned streets and along Stanford avenue without having first applied to the Commission for the necessary order. Several property owners residing on Stanford avenue between Beaudry street and Vallejo street, on Fifty-fifth street and on West street, filed a protest with the Commission on May 21 against the building of the spur track. A public hearing was held at Emeryville on June 7, 1920, at which all of the interested parties were represented.

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The spur track under consideration is one of several spur tracks designed to serve the new industrial section of Emeryville, which comprises about 75 or 80 acres lying approximately between Doyle and Harlan streets on the east, the Southern Pacific right of way on the west, a line one hundred and ninety feet south of Forty-fifth street on the south and Shattuck avenue on the north.

This tract, known as the Mee Estate, is now being improved, subdivided and sold to industrial concerns. Harlan, Hollis and Horton streets are being laid out from north to south and Santa Fe avenue and Forty-fifth street are being laid out from east to west through the tract. These streets are being built to conform to the most modern types of construction. In addition some two miles of 6-inch mains, 15,000 feet of curb, and sewer system are being installed. Storm waters have been taken care of by draining the land into Temescal Creek.

Three drill tracks have been laid out through the tract from north to the south 637 feet and 654 feet apart. Strips of land 43 feet in width are reserved along these drill tracks to serve as rights of way for the various industry spurs to be served by the drill tracks. The most easterly drill track will serve lots 1 and 8 inclusive and runs about midway between Harlan and Hollis streets. The center drill track will serve lots 9 to 13 inclusive and runs midway between Hollis and Horton streets. The third track runs below Horton street and will serve lots 17, 18 and 19. At the present time the Sherwin-Williams Company is located on lot 18, the East Bay Chemical Company is on lots 17 and 18, the Western Aluminum Company is located on lot 12 and the Western Canning Company is on lot 4. Two or three more industries have definitely located on lots 8 and 9 and 17.

It is desired to connect the two northerly drill tracks with a siding running parallel with the Southern Pacific suburban double track line to Berkeley. The northerly drill track will connect with this siding by an 18 degree curve to the west. The center drill track will connect with the siding by an 18 degree curve to the east. These two curves will cross in Stanford avenue between Fifth and Sixth streets. The Southern Pacific Company desires to extend the siding connecting with the drill tracks along Stanford avenue, as a tail track to the city limits of Emeryville, where it will join the eastbound track of the suburban lines. This proposed tail track will cross Doyle and Beaudry streets at grade. The Southern Pacific Company has a right of way 35 feet wide along the center of this section of Stanford avenue which is 120 feet in width. The width of street between the curb line and the right of way line along the south side of Stanford avenue between Doyle and Vallejo streets is twenty-four and one-half feet. The

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proposed tail track will occupy a portion of this strip and will leave only about fifteen feet six inches to sixteen feet between the curb and the side of a car.

The property owners residing along the south side of Stanford avenue between Doyle and Vallejo streets protested the placing of an industrial spur track in such close proximity to their homes, claiming that the value of their property would be greatly depreciated and that the noise of the cars and switch engines would be intolerable, especially during early morning hours.

The testimony offered by applicants contends that no damage will be suffered by protestants on account of the location of this industrial spur, as the value of their property as prospective industrial property would be greater than its value as residence property. Applicants stated that the business of this industrial section would increase rapidly and within a year they expect to handle an average of twenty cars per day from the industries located on the Mee tract. At the present time probably ten cars per day are handled. Applicants testified that it was impracticable to connect up the two northerly drill tracks with a curve, which would allow of all the switching being done within the industrial site, as such a curve would be of such short radius or high degree that large switch engines and gondola cars would have great difficulty in negotiating it.

The engineering department of the Commission investigated the possibilities of installing a curve between these two drill tracks in order to keep as much of the switching off of the public streets as is possible. The department reports that it is feasible and practical to install an 18 degree or 18 degree 15 minute curve between these two tracks which could handle long trains of cars, and the department therefore recommends that trains of not more than ten cars be handled on a tail track on Stanford avenue, extending as far east as the east line of Doyle street, with the point of switch twenty feet east of the east line of Doyle street. Such a tail track would handle the existing traffic of this industrial track. An alternative plan would be to install a track parallel and about eighteen feet distant from the north line of the Mee property and connecting by a 15 degree curve to the west with the 18 degree curve from the center drill track through the Mee estate, and also connecting with the siding along the south side of the suburban lines at a point near the east line of Sixth street.

It is acknowledged that good engineering practice in railroad track layouts seeks the construction of tracks with minimum curvature and grades. However, the curvatures of 15 degrees to 18 degrees 30 minutes, considered for this layout by the Commission's engineering department, while heavy, are not impractical nor in excess of the curvature

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often installed by the large railroad systems for switching purposes and by some of the short line railroads for main line track. For instance, at Clement Junction, Los Angeles, the Hammond Lumber Company, one of the largest lumber companies in Los Angeles, is served by two tracks connected by one hundred and eighty degrees of 17 degree 30 minute curve in a layout very similar to the one suggested for this industrial section in Emeryville. The old Los Angeles Market near Sixth and Mill streets, Los Angeles, was served by a track with 90 degrees of 20 degree curve and 90 degrees of 23 degree 36 minute curve joined by less than two hundred feet of tangent. A glance at the map of the Southern Pacific Company's yard tracks in San Francisco in the vicinity of Mariposa, Illinois, Sixth and Seventh streets will show many 90 degree curves of 20 to 22 degrees curvature, some of which are reverse curves. Instances of heavy curvature on main line tracks are given in the 136 degrees of 18 degree curve on 2.56 per cent grades of the Sierra Railway near Black Oak and the 235 degrees of 24 degree curve on the California Western Railroad and Navigation Company not for from Willits.

The presiding commissioner believes that while the installation of the proposed tail track will not greatly increase the hazard of the crossings of Doyle and Beaudry streets, it will increase the inconvenience and hazard of using that portion of Stanford avenue between Doyle and Vallejo streets and will decrease the desirability of this property for residence purposes.

The growth of this industrial section of Emeryville requires proper railroad facilities. Those proposed by the Southern Pacific Company anticipate a considerable increase in this growth. The presiding commissioner feels convinced that the track layout proposed by the Commission's engineering department is ample to care for all of the existing business of this section and to provide for considerable future growth. Ultimately this entire portion of Emeryville will probably become an industrial section. If such is the case it may be necessary to install additional track facilities at that time. It is recommended that the suggestions of the Commission's engineering department be carried out. That portion of the application relating to a grade crossing at Doyle street should be granted, but that portion covering the installation of the tail track in Stanford avenue between Doyle and Vallejo streets and the crossing of Beaudry street should be denied. The switch of the tail track near the east line of Doyle street should be connected with and operated from the Shellmound tower and protected by proper signals. The Shellmound tower is an electro-pneumatic tower. The tail track switch at Doyle street will be about 1600 feet from the tower, which is well within interlocking limits.

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ORDER.

Southern Pacific Company having on June 1, 1920, applied to the Commission for permission to construct a drill or tail track in Stanford avenue and at grade across Doyle and Beaudry streets, as shown on the map attached to the application; a public hearing having been held, and the Commission being fully apprised in the premises and of the opinion that the application should be denied in part and granted in part as hereinbefore indicated and subject to certain conditions;

It is hereby ordered, that the Southern Pacific Company be and it is hereby denied the authority to construct a drill track in Stanford avenue between Beaudry and Vallejo streets and across Beaudry street.

It is further ordered, that that portion of the drill track already laid across Beaudry street and in Stanford avenue between Beaudry and Vallejo streets shall be removed and the street restored to its former condition.

It is further ordered, that the Southern Pacific Company be and the same hereby is granted permission to install a drill track in Stanford avenue and across Doyle street and connecting with the eastbound track of the Suburban Electric lines in such manner that the point of switch of such track shall be distant not more than twenty feet east of the easterly line of Doyle street, said track to be installed subject to the following conditions:

1. The switch into the eastbound track of the suburban electric lines shall be connected with and operated from the Shellmound tower and shall be protected by proper signals, all to be installed at the expense of applicant.

2. The entire expense of constructing the crossing at Doyle street shall be borne by the applicant.

3. The entire expense of maintaining the crossing in good and first class condition, for the safe and convenient use of the public, shall be borne by the applicant.

4. Said crossing shall be constructed of a width and type of construction to conform to those portions of Doyle street to be crossed as now graded, with grades of approach not exceeding four (4) per cent; shall be protected by a suitable crossing sign, and shall in every way be made safe for the passage thereover of vehicles and other road traffic.

5. The Commission reserves the right to make such further orders relative to the location, construction, operation, maintenance and protection of said crossings as to it may seem right and proper, and to revoke its permission if, in its judgment, the public convenience and necessity demand such action.

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The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-sixth day of June, 1920.

DECISION No. 7802.

IN THE MATTER OF THE APPLICATION OF THE CLAREMONT DOMESTIC WATER COMPANY FOR ORDER AUTHORIZING A RAISE OF RATES FOR DOMESTIC AND IRRIGATION WATER IN THE CITY OF CLAREMONT AND VICINITY, SO AS TO PRODUCE A REASONABLE INTEREST ON THE INVESTMENT.

Application No. 5356.

Decided June 28, 1920.

WATER RATES—DISCOUNTS—WHEN EXCESSIVE.—In establishing rates for a water utility, it is held that a discount of 20 per cent for prompt payment of monthly bills is excessive and that by the elimination of such discount the utility's revenues will provide a reasonable return upon plant values without further increases in rates.

George Sumner and *L. T. Gillett*, for Applicant.

LOVELAND, *Commissioner*.

OPINION.

This is an application of the Claremont Domestic Water Company, a public utility engaged in the business of distributing and selling water for domestic and irrigation purposes in and in the vicinity of the city of Claremont. In this proceeding applicant asks for authority to increase its rates, it being alleged that the present rates do not produce an income sufficient to equal maintenance and operation expenses, replacement annuity and an adequate return on the investment.

The rates in effect at the present time are as follows:

DOMESTIC RATE.

For 500 cubic feet or less	$1 25
From 500 cubic feet to 2500 cubic feet, per 100 cubic feet	15
From 2500 cubic feet to 10,000 cubic feet, per 100 cubic feet	12½
In excess of 10,000 cubic feet, per 100 cubic feet	10
(20 per cent discount on all bills paid by the fifteenth of the month).	
Pomona College and Cemetery Association:	
(Special rate) per 100 cubic feet	05
Santa Fe Railroad Company (for park purposes):	
2000 cubic feet or less	1 75
In excess of 2000 cubic feet, per 100 cubic feet	10

FIRE SERVICE.

For 4-inch hydrants and larger	$2 00 per month
For hydrants less than 4-inch	1 00 per month
Minimum charge	100 00 per month

IRRIGATION.

Per miner's inch hour	$0 03

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The present domestic rates were fixed by the board of trustees of the city of Claremont and became effective May 19, 1913, in accordance with Ordinance No. 88 of said city.

In its Decision No. 1677, dated July 18, 1914, *In the matter of the application of the Claremont Domestic Water Company for order authorizing an advance in rates for domestic water in the city of Claremont, California, and in the rates for irrigation water used adjacent thereto* (Application No. 1144), the Commission held that the rates for domestic and irrigation water were adequate. Applicant was ordered to install certain mains and then authorized to charge the rates for fire service set out above.

On October 27, 1919, the Commission made its order, Decision No. 6798, *In the matter of the application of Claremont Domestic Water Company for a fair and just charge to the seven irrigators supplied under the C. T. Naftel contract on file with the Railroad Commission* (Application No. 4090), and the following special rates were authorized:

For each hour's operation, to and including 100 hours' operation per consumer	$1 20
For each hour's operation over 100 hours	90

The history of Claremont Domestic Water Company is fully set out in the above entitled proceedings.

Applicant submitted an appraisal of its water utilities showing a total of $119,500. The Commission's engineers appraised the same properties at $90,126. The difference between these totals is represented by a difference in the valuation of the water bearing lands. The appraisal submitted by the Commission's engineers did not include a tract of ten acres bought for future development, and which the testimony shows was purchased by the company for $2,607. The evidence also shows that applicant has never purchased any water rights separate and distinct from the land. It claims, however, a value of $600 per miner's inch for the water developed.

After carefully considering all of the facts relative to the value of the plant, including water rights and intangibles, I am of the opinion that $92,733 is a fair amount upon which to compute applicant's interest return. The replacement fund, computed by the sinking fund method, is $1,477.

The maintenance and operation expenses for the years 1918 and 1919, as shown by the books of the company, have been checked and items not properly chargeable to this account have been deducted and do not appear in the following tabulation:

	1918	1919
Operating labor and expense	$2,793 00	$2,957 00
Repairs to operating capital	627 00	416 00
Distribution system labor and expense	156 00	125 00
Collections and promotion of business	1,090 00	963 00
General expense	2,537 00	2,411 00
Taxes	580 00	702 00
Totals	$7,783 00	$7,574 00

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The evidence relating to applicant's operating expenditures in the past and probable future expenditures has been carefully considered, and it appears that owing to the increase in the cost of electrical energy, labor and necessary supplies, the cost of operation will be increased over that of previous years. An analysis of the evidence shows that the sum of $8,300 is a fair and just estimate of the future annual cost of operating this system.

The following is a summary of the annual charges set out above:

Interest on $92,733 at 8 per cent	$7,419 00
Replacement fund	1,477 00
Maintenance and operation	8,300 00
Total	$17,196 00

The operating income for 1918 was $13,342, and for 1919, $15,114. While it would appear that the existing rate schedule does not yield an adequate revenue, this is believed to be due to the policy followed by this company in allowing a 20 per cent discount on all bills paid within a certain time.

Computations based on tabulations showing details of water use show that the gross revenue which would have been received by applicant if the 20 per cent discount above mentioned were eliminated, would yield an amount at least equal to the above set out annual charges. I am of the opinion that it is advisable to eliminate this 20 per cent discount. This Commission has provided means whereby a utility can be adequately protected against delinquency in the payment of bills, by the establishment of rules and regulations.

After carefully considering the evidence, I am of the opinion that the relief asked for by the company lies in abolishing its practice of allowing any discount and establishing rules and regulations governing the prompt payment of bills.

ORDER.

Claremont Domestic Water Company having applied to the Railroad Commission for authority to increase its rates for water served in and in the vicinity of the city of Claremont, a public hearing having been held, and the Commission being fully apprised in the premises:

It is hereby found as a fact that the rates of Claremont Domestic Water Company are compensatory and would be remunerative, provided the practice of allowing 20 per cent discount on all bills when paid by the fifteenth of the month were discontinued.

And basing its order on the foregoing finding of fact and on the further statements of fact contained in the opinion which precedes this order;

It is hereby ordered, that Claremont Domestic Water Company be and it is hereby authorized to eliminate from its rate schedule, effective

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on and after July 1, 1920, the 20 per cent discount applicable on all bills paid by the fifteenth of the month; provided, that within ten (10) days from the date of this order, applicant files a written statement with this Commission indicating that said discount has been discontinued.

It is hereby further ordered, that the application of Claremont Domestic Water Company to increase rates, other than as hereinabove authorized, be and the same is hereby denied.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-eighth day of June, 1920.

DECISION No. 7804.

IN THE MATTER OF THE APPLICATION OF FORREST A. PLANT FOR AUTHORITY TO INCREASE WAREHOUSE RATES FOR STORING AND HANDLING GRAIN AT DAVIS.

Application No. 5715.

Decided June 28, 1920.

Forrest A. Plant, in propria persona.

BY THE COMMISSION.

OPINION.

Forrest A. Plant, applicant in this proceeding, operates a public warehouse at Davis, at which is applied a storage rate of $1.25 per ton per season, the service involved being that customarily performed at grain warehouses including loading into cars. This rate applicant desires to increase to $1.50 per ton, the same service to continue.

It is alleged in the application that increased operating costs underlie the request, with particular reference to labor, car loaders being now paid at the rate of 65 cents per hour per man against 40 cents per hour paid for the same work during the 1919 season. For handling the incoming grain of last season applicant paid 50 cents per hour per man, and predicts, after a survey of existing conditions, that he will be obliged to pay 75 cents per hour for the 1920 season. Materials and incidental warehouse expense have likewise advanced in price and added to applicant's operating costs accordingly.

The investment in warehouses and equipment approximates $31,000, applicant being one of four heirs having equal undivided interests therein. Rent paid to the estate for the last three years has averaged

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about $1,800 per year, or 6 per cent. The gross capacity of applicant's warehouses is approximately 8000 tons of grain, the average annual tonnage stored being only about one-half of that amount. On a 4000 ton basis an estimate which the testimony indicates is not too high for the present season applicant would receive $1,000 additional revenue under the proposed increase of 25 cents per ton. Increased operating costs including 50 per cent for the labor of receiving grain and 62½ per cent for loading the same into cars, as claimed by applicant would approximate $2,700 for the 1920 season, which would not only absorb the estimated additional revenue but entail a further debit of $1,700 against the utility. This latter amount applied against applicant's average net revenue of $2,378.70 per annum for the years 1917, 1918 and 1919, as shown by annual reports, would leave a balance of $678.70 to meet contingencies.

One of applicant's patrons appeared at the hearing and made a general statement with reference to the increased cost of farming, but upon interrogation, did not desire to protest against the proposed warehouse rates. Warehouse service appears to be adequate and satisfactory.

The Commission believes that the proposed rates have been justified by applicant and should be authorized.

ORDER.

Forrest A. Plant, a warehouseman, having applied to this Commission for authority to increase rates for storing and handling grain at warehouses located at Davis, a hearing having been held thereon, the matter having been submitted, and the Commission being fully advised in the premises:

It is hereby found as a fact that the rate now charged by applicant for warehousing grain at Davis is unjust and noncompensatory, and that the rate hereinafter set forth is just and reasonable for the services involved.

Basing this order upon the foregoing finding of fact and upon statements contained in the opinion preceding this order;

It is hereby ordered, by the Railroad Commission of the State of California, that Forrest A. Plant, a warehouseman, be and he is hereby authorized to publish, file and place in effect one day thereafter a schedule showing a rate of $1.50 per ton per season to cover the service of receiving, weighing, storing and loading into cars, grain delivered at his warehouses located at Davis.

Dated at San Francisco, California, this twenty-eighth day of June 1920.

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DECISION No. 7805.

IN THE MATTER OF THE APPLICATION OF HAINES CANYON WATER COMPANY FOR AN ORDER AUTHORIZING THE SALE OF CERTAIN REAL ESTATE.

Application No. 4862.

Decided June 28, 1920.

R. T. Quinn, for Applicant.
William Schrieder, for the Water Users.

BY THE COMMISSION.

OPINION.

Applicant in the above entitled proceeding alleges in effect that it is desirous of disposing of eighty acres of land not required in the conduct of its utility business. It is further alleged that the water rights, the right to develop additional water thereon, and rights of way across the tract, will be reserved to applicant, also that the moneys received from the sale will be used for the improvement of applicant's property.

A public hearing was held at which all interested parties were given an opportunity to be present and be heard, and the matter is now ready for decision.

Testimony shows that the land is part of the nonoperative property owned by applicant and that, with proper reservations of water rights and rights of way, there is no good reason why the land should be retained by the utility.

ORDER.

Haines Canyon Water Company having made application for permission to sell eighty acres of nonoperative land, a public hearing having been held thereon, and the Railroad Commission being of the opinion that the application should be granted;

It is hereby ordered, that Haines Canyon Water Company be and and it is hereby authorized to dispose of the eighty acres of land more particularly described as the west half of the northwest quarter of section 17, township 2 north, range 13 west, San Bernardino base and meridian, and subject to the following conditions:

1. The authority herein granted shall apply only to a sale made on or before January 1, 1921.

2. The deed transferring the property shall expressly reserve to the applicant all water rights appurtenant to said property, the right to develop additional water thereon by tunnels or otherwise, and all necessary rights of way for roads or pipe lines.

3. On or before ten days after the date of transfer, applicant shall file with the Railroad Commission a certified copy of the deed.

Dated at San Francisco, California, this twenty-eighth day of June, 1920.

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DECISION No. 7806.

IN THE MATTER OF THE APPLICATION OF L. J. KENDRICK FOR PERMISSION TO DISCONTINUE FURNISHING WATER AS A PUBLIC UTILITY FOR IRRIGATION FROM EAGLE DITCH AT GRIZZLY FLATS, EL DORADO COUNTY, CALIFORNIA.

Application No. 5130.

Decided June 28, 1920.

L. J. Kendrick, in propria persona.

Carl Miller, Protestant, *in propria persona.*

BY THE COMMISSION.

OPINION.

Applicant in this proceeding owns and operates what is known as "Eagle ditch," through which water is being furnished for irrigation purposes to six consumers at Grizzly Flats and vicinity. The Eagle ditch was originally constructed for mining purposes and the water right for mining purposes was owned in connection with the Eagle mine, but this mine has not been in operation for many years. However, in order to hold the water right and preserve the ditch for mining purposes against such time as the mine might resume operations, applicant has been running water through the ditch and serving consumers as above indicated. The charge for this service has been $3 per year until about two years ago, when it was increased to $5. The ditch is now in a condition of disrepair, and it was testified at the hearing that it would require an expenditure of $600 to put it into condition to furnish service as a public utility.

Applicant's consumers were each notified of the hearing in this matter, and there was a publication of the notice made in a newspaper of general circulation in that territory, yet only one consumer appeared who entered any protest against the granting of the application herein. From the evidence presented at the hearing, it appears that this protestant has available, for at least a portion of each season, a supply of water from a certain spring, and it was also suggested that a well could be installed which would furnish an additional supply.

The Commission does not believe that it is fair to require applicant to continue operation as a public utility under existing conditions where the discontinuance of service will not work a hardship upon anyone.

ORDER.

L. J. Kendrick having made application to the Railroad Commission as entitled above, a public hearing having been held, and the Commission being fully apprised in the premises;

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It is hereby ordered, that L. J. Kendrick be and he is hereby authorized to discontinue the service of water from Eagle ditch, as a public utility, said authority to be and become effective from and after the date of this order.

Dated at San Francisco, California, this twenty-eighth day of June, 1920.

DECISION No. 7807.

IN THE MATTER OF THE APPLICATION OF WHITE BUS LINE, INCORPORATED, A CORPORATION, FOR PERMISSION TO ISSUE ONE HUNDRED FIFTY THOUSAND DOLLARS OF COMMON STOCK.

Application No. 5543.

Decided June 28, 1920.

H. A. Encell and *H. W. Kidd*, for Applicant.

BY THE COMMISSION.

OPINION.

Applicant applies for authority to issue $150,000 par value of its common capital stock, the proceeds to be used in acquiring 31 automobile stages, one automobile truck, furniture, fixtures, garage equipment and other personal property, with operative rights to transport passengers between Los Angeles and Ontario, between Ontario and Riverside, between Ontario and San Bernardino, between San Bernardino and Redlands, and between Pomona and Chino.

A public hearing upon the application was held by Examiner Westover at Los Angeles.

The property in question is the same as that described in Decision No. 7001 of December 31, 1919, upon Application No. 5214, wherein the Commission authorized O. R. Fuller to lease the property to White Bus Line, a corporation, and in Decision No. 6879 of November 28, 1919, upon Application No. 5138, authorizing Will R. Forker as trustee to convey the property to said O. R. Fuller. In above Application No. 5214 the property is described as of the value of $119,000.

It appears from the testimony at the hearing on the present application that the 31 Moreland trucks with passenger stage bodies, and one Cadillac truck, if new, would cost $147,525 at present prices, but that it would not be possible to procure deliveries of new stages for many months.

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Applicant showed that the net revenue of the line when operated by Mr. Forker as trustee under the name of Orange Belt Line was $13,199.55 for the 18 months which ended November 30, 1919, not including depreciation. It refers to this as the development period of the business during which it was in active competition with the so-called Clark line which has been purchased by Mr. Fuller. The stages have been used from eight months to two years.

Under all the circumstances, not more than $120,000 par value of stock should be issued.

ORDER.

A public hearing having been held upon the above entitled application, the matter being submitted and now ready for decision, and the Commission being of the opinion that the money, property or labor to be procured by the issue of said stock is reasonably required for the purpose or purposes specified in the order and that the expenditures for such purposes are not in whole or in part reasonably chargeable to operating expenses or to income;

It is hereby ordered, that White Bus Line be and it is hereby authorized to issue $120,000 par value of its capital stock and use the proceeds for the purpose of acquiring the operating rights and property described in the application and in the schedule which accompanies this order.

It is hereby further ordered, that O. R. Fuller be and he is hereby authorized and empowered to convey to applicant White Bus Line the operating rights and property described in the application and in the schedule which accompanies this order.

The authority herein granted is upon the following conditions:

1. Nothing herein contained shall be construed as a finding by the Commission of the value of said properties for the purpose of fixing rates or for any purpose other than for the purposes of the transfer herein authorized.

2. The authority herein granted to transfer property and issue stock shall apply only to such property and to such stock as may be issued on or before 60 days from the date hereof.

3. Within 10 days after the execution of instrument of conveyance herein authorized, a certified copy of such instrument shall be filed with the Railroad Commission by said White Bus Line.

4. Said White Bus Line shall keep a true and accurate record of the stock herein authorized, and on or before the twenty-fifth day of each month, until all of said stock has been issued and the proceeds thereof expended, it shall file with the Railroad Commission a verified

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report, as required by the Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

Dated at San Francisco, California, this twenty-eighth day of June, 1920.

SCHEDULE OF PROPERTY TO ACCOMPANY OPINION AND ORDER IN APPLICATION NO. 5543, RIGHT TO OPERATE AUTOMOBILE STAGE LINES AND ROUTES IN THE COUNTIES OF LOS ANGELES, SAN BERNARDINO AND RIVERSIDE, TO WIT:

(1) Between the city of Los Angeles, California, and the city of Ontario, California, and all way points, over that public highway commonly called the "Valley boulevard." Said Valley boulevard runs in a generally easterly and westerly direction, is paved and passes through the cities and towns of Alhambra, El Monte, Puente and Pomona.

(2) Between the city of Ontario, California, and the city of Riverside, California, and all way points over that public highway described as follows: From office 126 N. Euclid avenue, Ontario; south on Euclid avenue to A street; east on A street to Bon View avenue; south on Bon View avenue to Riverside boulevard; east via Collins station, Wineville and Riverside; east on Seventh street, Riverside to Main street; south on Main street to Eighth street; west on Eighth street to No. 741 W. Eighth street.

(3) Between the city of San Bernardino, California, and the city of Redlands, California, and all way points over that public highway described as follows: East on Third street to E street; south on E street to Colton avenue, east on Colton avenue to Loma Linda drive; south on Loma Linda drive to Mountain View avenue; east on Mountain View avenue to Redlands Junction and Brookside avenue, Redlands; east on Citrus street to Orange street; north on Orange street to State street.

(4) Between the city of Ontario, California, and the city of San Bernardino, California, and all way points over that public highway described as follows: From office No. 126 N. Euclid avenue, Ontario; north on Euclid avenue to Ninth street, Upland; east on Ninth street to Second avenue; north on Second avenue to Tenth street; east on Tenth street to Foothill Boulevard, Cucamonga, Etiwanda, Fontana, Rialto to Fourth street, San Bernardino, east on Fourth street to Mount Vernon street, south on Mount Vernon street to Third street; east on Third street to F Street.

(5) Between the city of Pomona, California, and the city of Chino, California, and all way points over that public highway described as follows: From office No. 246 Garey avenue, north on Garey avenue to Holt avenue, east on Holt avenue to Central avenue, Riverside drive; west on Riverside drive to Sixth street, Chino; south on Sixth street to "D" street No. 391 Sixth street.

(6) Also all permits, licenses, franchises and operating rights heretofore granted by any city, town, or county through or in which the said Orange Belt Line is now or at any time in the past has been operated, or under authority of which said Orange Belt Line claims to have the right to so operate in any of such cities, towns, and counties.

Together with the following:

Personal Property.

Thirty-one (31) Moreland automobile trucks, equipped with special bus bodies, and one Cadillac shop car,

Furniture and fixtures,

Garage equipment,

Rent deposit (on lease of depot at Sixth and Los Angeles streets, Los Angeles, California),

Station building at Ontario, California,

Station building at Sixth and Los Angeles streets, Los Angeles, California,

Automobile parts on hand,

Gasoline and oil on hand.

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DECISION NO. 7808.

IN THE MATTER OF THE APPLICATION OF THE SAN DIMAS CHARTER OAK DOMESTIC WATER COMPANY FOR PERMISSION TO RENEW OUTSTANDING NOTES FOR FOUR THOUSAND DOLLARS AND FOR AUTHORITY TO BORROW ONE THOUSAND DOLLARS.

Application No. 5734.

Decided June 28, 1920.

Wm. Bowring, for Applicant.

BY THE COMMISSION.

OPINION.

San Dimas Charter Oak Domestic Water Company applies for authority to renew outstanding notes for $4,000 and to issue new note for $1,000.

A public hearing upon the application was held by Examiner Westover at Los Angeles, June 23.

Applicant is a public utility distributing domestic water through about 520 connections in and about San Dimas, Los Angeles County. By Decision No. 5185 of March 7, 1918 (see Vol. 15, Opinions and Orders of the Railroad Commission, p. 325), it was authorized to issue its two year $5,000 note in favor of the First National Bank of San Dimas in renewal of that portion of its indebtedness of $7,000 to the bank incurred for the purpose of making the improvements described in Decision No. 5185. It has since paid $1,000 on account of its said $5,000 note and now wishes to renew $4,000 thereof, but it now finds that under present conditions its supply of water, represented by ownership of its 50 shares of the stock of San Dimas Water Company, a mutual organization, is not sufficient to adequately supply its patrons and it wishes to purchase 10 additional shares at the par value of $100 per share, for which arrangements have already been made. The company has no other indebtedness. The application should be granted.

ORDER.

San Dimas Charter Oak Domestic Water Company having applied to the Railroad Commission for authority to issue the notes described in the order and use the proceeds thereof for the purposes hereinafter set forth, a public hearing having been held, and the Commission finding that the money to be procured by such issue of notes is reasonably required for the purposes specified in the order and that such purposes are not in whole or in part reasonably chargeable to operating expenses or to income;

It is hereby ordered, that San Dimas Charter Oak Domestic Water Company be and it is hereby authorized to issue its three-year note or

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notes in the sum of $5,000 at a rate of interest not exceeding 6 per cent per annum, and use $4,000 of the proceeds thereof for the purpose of refunding the unpaid portion of its $5,000 note in favor of the First National Bank of San Dimas, which was authorized by said Decision No. 5185, and use $1,000 thereof for the purpose of purchasing 10 shares of the capital stock of San Dimas Water Company at the par value of $100 per share.

The above authority is granted upon the following conditions:

1. Said note or notes shall be issued at a rate of interest not exceeding 6 per cent per annum, and sold at a price to net to applicant their par or face value without commission or discount.

2. Applicant may, if it so desires, issue the note or notes for a period of less than three years and renew said notes from time to time, provided that the combined terms of the notes herein authorized and those issued in renewal thereof shall not exceed three years from the date hereof, and provided the amount of said notes outstanding at any time shall not exceed the total sum of $5,000.

3. The authority herein granted to issue notes shall apply only to such notes as may be issued within sixty (60) days from the date hereof and to notes issued in renewal thereof.

4. Within ten days after issuing any note or notes hereby authorized, or any note or notes in renewal of notes so authorized, applicant shall report to the Railroad Commission in writing the fact of the issue of such note or notes with the description thereof and the note or notes refunded or renewed thereby.

5. The authority herein granted is conditioned upon the payment by applicant of the fee prescribed in the Public Utilities Act.

Dated at San Francisco, California, this twenty-eighth day of June, 1920.

DECISION NO. 7809.

IN THE MATTER OF THE APPLICATION OF THE HAWTHORNE ELECTRIC AND WATER COMPANY FOR AN ORDER INCREASING ITS RATES TO BE CHARGED FOR DISTRIBUTION OF WATER.

Application No. 5106.

Decided June 28, 1920.

C. M. Thomas, for Applicant.

Clyde Woodworth, for certain Protestants.

BY THE COMMISSION.

OPINION.

This is an application by the Hawthorne Electric and Water Company, a corporation, for an order authorizing it to increase its

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rates for water distributed in and in the vicinity of the town of Hawthorne, Los Angeles County, California. In this proceeding applicant alleges in effect that the income derived from its present rates is unremunerative and is insufficient to meet operating costs, replacement fund and interest on investment.

The rates in effect at the present time were established by order of this Commission in Decision No. 356, dated December 6, 1912, *In the matter of the application of Hawthorne Electric and Water Company for the establishing of rates* (Application No. 5), and are as follows:

Domestic Rate.	
Flat rate, per month	$1 50
Meter Rate.	
For 750 cubic feet or less	1 25
Next 750 cubic feet, per 100 cubic feet	12½
In excess of 1500 cubic feet, per 100 cubic feet	10

A public hearing was held in this matter before Examiner Westover at Los Angeles.

It appears from the evidence that the original plant was installed in 1905 and 1906 as a part of a real estate development project. From time to time, as the various subdivisions were improved, the property owners installed pipe lines to connect with the water system and turned them over to the water company free of charge. In this manner the distributing system of applicant has been enlarged and built up until it now covers a large area of sparsely settled territory. This is shown by the fact that there is an average of 318 feet of main per consumer.

In the appraisal of the properties of this utility, submitted by Mr. M. E. Ready, one of the Commission's hydraulic engineers, the estimated original cost is found to be $76,599. Evidence was introduced by applicant showing the original cost to have been $69,811.

The evidence shows that the territory served by applicant is very sparsely settled and that the system is overbuilt for its present uses. It is unnecessary to discuss the value of this system because of the fact that it would be unfair to the present consumers to so increase the rates as to produce interest upon either of the above mentioned sums. However, the rates established herein are designed to provide a small interest return on the investment.

Mr. Ready testified that the replacement fund, computed on the sinking fund basis, as set out in his appraisal, is $1,626, and that the maintenance and operation expense for 1919, as shown by the books of the company, was $3,219. It appears, however, that owing to the increased cost of labor, electrical energy and materials, that the cost of operation will be somewhat increased during the coming year, and that the sum of $3,900 is a fair allowance for this item.

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The gross operating revenue for the year 1919 was $7,305. It is apparent that the present rate schedule does not yield an adequate revenue and it appears that applicant is entitled to a rate increase.

The rate schedule established in the order following is designed to yield maintenance and operation expense, replacement fund, and a certain amount for interest on the investment:

ORDER.

Hawthorne Electric and Water Company having applied to the Railroad Commission for authority to increase its rates for water served in Hawthorne and vicinity, a public hearing having been held, and the Commission being fully advised in the premises:

It is hereby found as a fact that the rates and charges of Hawthorne Electric and Water Company, in so far as they differ from the rates herein established, are unjust, unreasonable and unremunerative, and that the rates and charges herein established are just and reasonable rates. And basing its order on the foregoing finding of fact and on the further findings of fact contained in the opinion which precedes this order;

It is hereby ordered, that Hawthorne Electric and Water Company be and it is hereby authorized to file with the Railroad Commission of the State of California within twenty (20) days of the date of this order, and thereafter charge, the following rates:

Meter Rates.

For 400 cubic feet or less	$1 00
For next 600 cubic feet, per 100 cubic feet	20
For next 1000 cubic feet, per 100 cubic feet	15
Excess 2000 cubic feet, per 100 cubic feet	12

Flat Rates.

1. For all residences	$1 50
For each automobile	25
For each horse or cow	20
2. Sprinkling or irrigation of lawns, shrubbery, trees, gardens, etc., per square yard	02

It is hereby further ordered, that within twenty (20) days of the date of this order, applicant file with the Commission, subject to its acceptance and approval, a complete set of rules and regulations governing the service of water on its system, and thereafter put into effect the rules and regulations so approved.

Dated at San Francisco, California, this twenty-eighth day of June, 1920.

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DECISION No. 7810.

IN THE MATTER OF THE APPLICATION OF L. F. MOULTON AND COMPANY, A COPARTNERSHIP, FOR AUTHORITY TO INCREASE RATES FOR STORING AND HANDLING GRAIN AT EL TORO.

Application No. 5680.

Decided June 28, 1920.

Scarborough, Forgy and Reinhaus, for Applicant.

BRUNDIGE, *Commissioner*.

OPINION.

L. F. Moulton and Company, applicant herein, is a copartnership engaged primarily in farming some 23,000 acres of land situate in Orange County, in connection with which the copartnership also operates a public warehouse at El Toro. Approximately one-half of the revenue derived from the warehouse business comes from handling the grain and beans produced by applicant's tenants.

Tariffs on file by applicant cover the storage and handling of grain and beans only, the schedule for grain having been filed in August, 1918, and that for beans on May 12, 1920. The application contemplates no change in the rates for bean storage. For storing and handling grain, applicant proposes to advance its rates as indicated in the following table:

	First month		Second month		Season	
	Present rate	Proposed rate	Present rate	Proposed rate	Present rate	Proposed rate
Storage, per ton	$0 50	$1 00	$0 25	$0 50	$1 00	$2 00

	Present rate	Proposed rate
Weighing and loading on cars (through warehouse) per ton	25¢	50¢

Authority is also asked for the establishment of rates covering certain specified service not included in applicant's present grain schedule as follows:

Loading cars in excess of established tariff minimum, on excess, per ton	$0 50
Charge for shipping mark, per sack	01
Storage for second or subsequent season per ton per month (maximum season charge per ton, $2)	50
Minimum storage charge	2 00

Exhibit "A," accompanying the application, in which the desired rates are set out, also embodies rates for cleaning grain, for which service the Commision has not heretofore required rates to be filed.

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No obligation rests upon applicant to file these latter rates nor to ask this Commission for authority to change the same. Rates proposed for warehousing grain are on a parity with applicant's present rates for the storage of beans, which schedule is not affected by this proceeding.

The application is based wholly upon alleged increased operating costs, and cites especially advanced wages paid for warehouse labor.

At the hearing held at Los Angeles June 7, 1920, it was shown that the rates in effect were established prior to the war, since which time operating costs have practically doubled. Applicant has been able to meet the situation in part by temporarily shifting to its warehouse labor usually employed on its ranch. Exhibit No. 1 filed at the hearing shows an investment of $12,686.05. With reference to operating costs, this exhibit shows the following comparison between prices in effect in 1917 and at the present time:

	1917	1920
Pilers, per day	$ 4 00	$ 7 50
Truckers, per hour	30	60
Other labor, per month (including board)	30 00	60 00
Second hand bags	05 per pound	10 to 12 cents each

Gross revenue received by applicant for 1919 was $2,933.18 against an expenditure of $2,465.40, leaving a net revenue of $467.78 to apply on an investment approximating $13,000. Expenditures are made up of the following items:

Labor	$1,627 22
Rent	90 00
Insurance	127 07
Depreciation and repairs	621 11
Total	$2,465 40

Applicant estimates that warehouse labor for the season 1920 will cost $3,500. No testimony was offered in opposition to the proposed increases and no protest has been received from interested parties.

I am of the opinion that the rates requested have been justified and should be authorized, and submit the following form of order.

ORDER.

L. F. Moulton and Company, a copartnership, having applied to the Railroad Commission for authority to increase and establish rates for storing and handling grain at El Toro, a public hearing having been held thereon, the matter having been submitted, and the Commission being fully advised as to the matter involved:

It is hereby found as a fact that the rates now in effect by applicant are, in so far as they conflict with the rates herein established, unreasonable and noncompensatory, and that the schedule hereinafter set forth is just and reasonable for the service indicated.

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Basing this order upon the foregoing finding of fact and upon statements set out in the preceding opinion;

It is hereby ordered, by the Railroad Commission of the State of California, that L. F. Moulton and Company be and the same is hereby authorized to publish, file, and place in effect one day after such filing, the following schedule of rates for storing and handling grain at its warehouse located at El Toro:

SCHEDULE.

Storage.	First Season	Second Season
First month, or fraction thereof, per ton	$1 00	$0 50
Second month, or fraction thereof, per ton	50	50
Third month, or fraction thereof, per ton	50	50
Fourth month, or fraction thereof, per ton	--	50
Total for season ending May 31	$2 00	$2 00

Minimum storage charge $2.

Weighing, handling, through warehouse without storing and loading on cars, per ton, 50 cents.

Loading cars in excess of established minimum weight, on excess only, per ton, 50 cents.

Establishing shipping mark, per sack, 1 cent.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-eighth day of June, 1920.

DECISION No. 7812.

IN THE MATTER OF THE APPLICATION OF PACIFIC GAS AND ELECTRIC COMPANY, A CORPORATION, FOR AN ORDER OF THE RAILROAD COMMISSION APPROVING A CERTAIN AGREEMENT DATED APRIL 15, 1920, BY AND BETWEEN PACIFIC GAS AND ELECTRIC COMPANY, THE BANK OF CALIFORNIA, NATIONAL ASSOCIATION, AND BLYTH, WITTER AND COMPANY, AND AUTHORIZING THE ISSUANCE OF TEMPORARY CERTIFICATES AND THE HYPOTHECATION AND PLEDGING OF ITS REGISTERED GENERAL AND REFUNDING MORTGAGE GOLD BOND OR BONDS OF THE FACE OR PAR VALUE OF FIFTEEN MILLION DOLLARS ($15,000,000) PURSUANT TO SAID AGREEMENT.

First Supplemental Application No. 5598.

Decided June 29, 1920.

William B. Bosley and *C. P. Cutten*, for Applicant.

DEVLIN, *Commissioner.*

FIRST SUPPLEMENTAL OPINION.

Pacific Gas and Electric Company asks permission to execute a trust agreement and mortgage, issue bonds, notes and stock in the amounts and for the purposes hereinafter indicated.

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By Decision No. 7452, dated April 21, 1920, in Application No. 5598, the Railroad Commission authorized applicant to issue and sell, for cash, at not less than 92¾ per cent of their face value plus accrued interest, $10,000,000 of temporary certificates, and deposit $15,000,000 of its 5 per cent general and refunding mortgage bonds to secure the payment of the $10,000,000 of temporary certificates or five-year 7 per cent collateral trust convertible notes issued in exchange for the temporary certificates. Conditions "1" and "2" of the Commission's order in Decision No. 7452, dated April 21, 1920, read as follows:

1. Of the proceeds realized from the sale of temporary certificates herein authorized to be issued, Pacific Gas and Electric Company may use $5,200,959.59 to reimburse its treasury because of moneys expended for extensions, additions and betterments and the acquisition of properties referred to in this application, provided that after such reimbursement the money be used to pay for the construction of permanent extensions, additions and betterments to the properties of Pacific Gas and Electric Company or advanced to Mount Shasta Power Corporation for the acquisition or construction of hydroelectric power plants, transmission lines and properties appurtenant thereto.

2. The remainder of the proceeds obtained from the sale of the certificates shall be expended only for such purposes as the Railroad Commission may hereafter authorize.

Applicant reports that at a meeting held June 21, 1920, its stockholders by a vote representing more than two-thirds of the subscribed and issued capital stock, duly authorized the increase of its bonded debt from $150,000,000 to $160,000,000. The increase in the bonded debt is to be represented by $10,000,000 face value of 7 per cent collateral trust convertible gold notes to be issued pursuant to the terms and conditions of the trust agreement and mortgage filed with this supplemental application and marked Exhibit "D."

Applicant asks permission to issue to the holders of interim certificates an equal amount in par value of said five-year 7 per cent collateral trust convertible gold notes and sell the remainder of the notes to Blyth, Witter and Company at not less than 92¾ per cent of their face value plus accrued interest, as provided for in the agreement of April 15, 1920.

In the proposed trust agreement and mortgage, applicant agrees to deposit with the trustee from time to time, if authorized by the Railroad Commision, such an amount of its general and refunding bonds (not exceeding, however, $20,000,000) as may be necessary to permit the Superintendent of Banks of California to certify the notes as legal investments for savings banks. It is, of course, understood by all that the authority herein granted to execute the trust agreement and mortgage does not in any way commit the Commission to authorize the issue of bonds to be deposited with the trustee under said trust agreement and mortgage. At this time, applicant asks permission to issue and deposit $16,500,000 of bonds. This request will be granted. If

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circumstances should arise that make it desirable for applicant to deposit additional bonds, a formal application for permission to issue such additional bonds should be filed with the Commission.

In addition to being secured by the deposit of bonds, the five-year notes will be further secured by a mortgage on all of applicant's properties located in the city and county of San Francisco. The lien of this mortgage, however, is subject to the various mortgages and deeds of trust heretofore executed by applicant and its predecessors.

Applicant in its proposed trust agreement and mortgage agrees that at the option and upon the demand of the owners or holders of any of the five-year notes, and upon the surrender of such notes for cancellation, it will issue to such owners or holders at any time on or before May 1, 1925, so many shares of its first preferred stock as at 95 per cent of their par value will equal the face amount of the notes so surrendered plus accrued interest thereon to the date of their surrender, or, at any time on or before May 1, 1922, so many shares of its common stock as at 80 per cent of the par value of such shares will equal the face amount of the notes so surrendered plus interest accrued thereon to the date of their surrender, or at any time after May 1, 1922, to and including May 1, 1925, so many shares of its common stock as at 85 per cent of the par value of such shares will equal the face amount of the notes so surrendered plus accrued interest thereon to the date of their surrender. Applicant asks permission to issue its preferred or common stock for the purpose of complying with this provision of its proposed trust agreement and mortgage.

Applicant requests authority to use the proceeds from the sale of the notes or temporary certificates to reimburse its treasury in the amount of $5,200,959.59, as authorized by the Commission in Decision No. 7452, dated April 21, 1920, and agrees that it will use the remainder of the proceeds for such purposes as the Railroad Commission may authorize.

I herewith submit the following form of order:

FIRST SUPPLEMENTAL ORDER.

Pacific Gas and Electric Company having applied to the Railroad Commission to execute a trust agreement and mortgage, issue bonds, notes and stock, a public hearing having been held, and the Railroad Commission being of the opinion that the money, property or labor to be procured or paid for by the issue of bonds, notes and stock herein authorized is reasonably required for the purpose or purposes specified in this order, and that such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income;

It is hereby ordered, that Pacific Gas and Electric Company be and it is hereby authorized to execute a trust agreement and mortgage substantially in the same form as the trust agreement and mortgage

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filed in this proceeding on June 28, 1920, and marked Exhibit "D;" provided, that the approval herein given of said trust agreement and mortgage is for the purpose of this proceeding only and an approval in so far as this Commission has jurisdiction under the terms of the Public Utilities Act, and is not intended as an approval of said trust agreement and mortgage as to such other legal requirements to which said trust agreement and mortgage may be subject.

It is hereby further ordered, that Pacific Gas and Electric Company be and it is hereby authorized to issue $10,000,000 face value of its five-year 7 per cent collateral trust convertible gold notes pursuant to the terms and conditions of said proposed trust agreement and mortgage marked Exhibit "D," and issue and deposit with the Bank of California, National Association, trustee, not exceeding $16,500,000 of general and refunding bonds, said $16,500,000 of bonds to be deposited with said trustee pursuant to the terms and conditions of the proposed trust agreement and mortgage marked Exhibit "D."

It is hereby further ordered that Pacific Gas and Electric Company be and it is hereby authorized to issue from time to time either its common or preferred stock in exchange for the five-year 7 per cent collateral trust convertible gold notes herein authorized to be issued, such exchange to be made upon the terms and conditions set forth in the proposed trust agreement and mortgage marked Exhibit "D."

The authority herein granted is subject to further conditions as follows:

1. Any of the notes herein authorized to be issued and which will not be exchanged for interim certificates, the issue of which the Commission authorized in Decision No. 7452, dated April 21, 1920, shall be sold by applicant, for cash, at not less than 92¾ per cent of their face value plus accrued interest.

2. The $16,500,000 of bonds herein authorized to be issued and deposited with the trustee shall include the $15,000,000 of bonds, the issue and deposit of which the Commission authorized in Decision No. 7452, dated April 21, 1920.

3. Any bonds released by the trustee under the terms and conditions of the proposed trust agreement and mortgage marked Exhibit "D," shall be returned to applicant's treasury and thereafter issued only upon such terms and conditions as the Railroad Commission may authorize.

4. Of the proceeds realized from the sale of the temporary certificates, the issue of which is authorized by Decision No. 7452, dated April 21, 1920, or from the sale of the five-year 7 per cent collateral trust convertible gold notes, the issue of which is herein authorized, Pacific Gas and Electric Company may use $5,200,959.59 to reimburse

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its treasury because of moneys expended for extensions, additions and betterments and the acquisition of properties referred to in this application; provided, that after such reimbursement the money be used to pay for the construction of permanent extensions, additions and betterments to the properties of Pacific Gas and Electric Company or advanced to Mount Shasta Power Corporation for the acquisition or construction of hydroelectric power plants, transmission lines and properties appurtenant thereto.

5. The remainder of the proceeds obtained from the sale of the notes or certificates shall be expended only for such purposes as the Railroad Commission may hereafter authorize.

6. Pacific Gas and Electric Company shall keep such record of the issue and disposition of the bonds, notes and stock herein authorized and of the use of the proceeds as will enable it to file, on or before the twenty-fifth day of each month, a verified report as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

It is hereby further ordered, that the order in Decision No. 7452, dated April 21, 1920, shall remain in full force and effect, except as modified by this first supplemental order.

Dated at San Francisco, California, this twenty-ninth day of June, 1920.

DECISION NO. 7813.

PALO VERDE COTTON ASSOCIATION, A NONPROFIT COOPERATIVE ASSOCIATION,

vs.

CALIFORNIA SOUTHERN RAILROAD COMPANY, A CORPORATION.

Case No. 1443.

Decided June 29, 1920.

I. W. Stewart, for Palo Verde Cotton Association.

Ward Chapman, for California Southern Railroad Company.

BRUNDIGE, *Commissioner.*

OPINION.

The complaint alleges that the Palo Verde Cotton Association is a nonprofit cooperative association formed for the purpose of ginning cotton for its members; that it is about to erect a cotton gin on its land adjoining the easterly edge of the railroad in the northwest corner of the northeast ¼ of section 8, township 6 south, range 23 east, San Bernardino Base and Meridian; that it is of importance to

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the cotton growers of Palo Verde Valley that this gin be constructed on account of the fact that the construction of gins has not kept pace with the increased acreage in cotton, thereby causing spoilage, wastage and deterioration of cotton during the past years; that the defendant railroad refuses to install a spur track connection to this property; that complainant's business requires the construction of this spur track, which it claims is reasonably practical and can be installed without increasing the hazard of operation of the railroad; and that the expected business is sufficient to justify the expense.

The defendant railroad company denies most of these allegations, avers that they maintain a switch at Fertilla which could be used by complainant; denies that the construction of the proposed switch or spur is reasonable or at all practical; avers that the safety of operation of the trains will be greatly impaired; and denies that the business which may be reasonably expected is sufficient to justify the expense of the spur track.

After investigation of the facts in the matter by the Commission's engineering department, and after a public hearing in Los Angeles on the ninth instant, it is my conclusion that the allegations of the complainant are substantially correct, that the proposed spur track connection is practicable and can be installed and used without unduly increasing the hazard of train operation, that the business to be reasonably expected by the railroad over this connection is sufficient to justify the necessary expense, and that public convenience and necessity demand the installation of the proposed spur.

I recommend the following form of order:

ORDER.

Complaint having been made by the Palo Verde Cotton Association (hereinafter referred to as the association) against the California Southern Railroad Company (hereinafter referred to as the railroad) relative to a spur track connection north of Fertilla, a public hearing having been held and the matter being submitted, and the Commission being fully advised and basing its order on the foregoing opinion:

It is hereby found as a fact that public convenience and necessity demand the installation of the proposed spur track connection; and

It is hereby ordered, that the railroad immediately install, and complete not later than thirty (30) days from the date of this order, a spur track connection unto the land of the Palo Verde Cotton Association north of Fertilla, the spur track to be constructed and operated under the following conditions:

1. The railroad shall immediately enter into a spur track agreement with the association covering the division of cost, maintenance and

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operation of the spur to be constructed; the agreement to be accompanied by a map showing to scale the location of existing tracks and right of way, together with the proposed spur.

2. An estimate showing the cost to the association, the cost to the railroad and the total cost shall appear in the agreement.

3. The association shall own and pay for that part of the track beyond the right of way line.

4. The railroad shall own that part of the track on the right of way from the switch point to the right of way line and shall, as to that portion of the track, pay for the rails, rail fastenings and joints, and the association shall pay for the grading, ties, track labor, etc.

5. The railroad shall maintain the entire track, the association to reimburse the railroad for such maintenance on the privately owned track as may be necessary from time to time and within twenty (20) days after bills are rendered by the railroad.

6. The track shall be under the control of the railroad and the railroad shall have the right to use the track when this will not interfere with the use of the track by the association.

7. There shall at all times be kept a space of six feet (6 ft.), from the outside of the head of the nearest rail of any railroad track, entirely clear of structures, material and obstructions of every sort, but the association may erect loading platforms, which shall not be higher than an average car floor and which shall not at any point be nearer than four feet eight inches (4 ft. 8 in.) from the outside of the head of the nearest rail.

8. Should the association fail to build the proposed gin and have it in operation within six (6) months from the date of this order, the association shall stand the entire expense of this spur connection.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-ninth day of June, 1920.

DECISION NO. 7814.

IN THE MATTER OF THE APPLICATION OF THE DIAMOND RIDGE WATER COMPANY, A CORPORATION, FOR A RAISE IN RATES FOR FURNISHING AND DELIVERING WATER TO ITS CONSUMERS.

Application No. 5563.

Decided June 30, 1920.

John W. Dorsey and *W. E. Cashman*, for Applicant.

B. D. Marx Greene and *E. J. Sinclair*, for Diamond Ridge Water Users' Association.

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Frank F. Atkinson, for Frank Walsh et al., Protestants.
Elon Dunlap, in propria persona.

LOVELAND, *Commissioner.*

OPINION.

Diamond Ridge Water Company, applicant herein, is a public utility water company engaged in the business of furnishing and delivering water for domestic, manufacturing, industrial and irrigation purposes in and in the vicinity of Diamond Springs, El Dorado County, California. In the above entitled proceeding, applicant asks for authority to increase its rates, it being alleged in effect that the present rates do not produce sufficient revenue to meet maintenance and operation costs.

This Commission has recently made an extensive investigation into the affairs of Diamond Ridge Water Company, the details of which, and conclusions reached, being set out in its Decision No. 7749, dated June 19, 1920, to which reference is hereby made and from which I quote as follows:

> There is now pending before this Commission an application filed by defendant herein (referring to the above entitled proceeding), asking authority to increase its rates. The area served, however, is so small that it will undoubtedly be practically impossible to establish a rate which will yield to defendant herein (Diamond Ridge Water Company) revenue sufficient to meet its expenses and an interest return. Defendant however dedicated its system to a public use, and in reliance upon this dedication its consumers have proceeded to develop their ranches. The evidence shows that no real effort has been made to increase the business from its present system, and I am of the opinion that the poor service rendered has had a very material effect in reducing its business.
>
> Defendant herein purchased this property as a speculation, intending to finance the purchase of a large tract of land, to be later subdivided and sold at a large profit through the use of the water rights purchased with this system and the construction of impounding facilities. Defendant admitted that it was *holding* this for a speculation and that its speculative value was considerable. This however is no just reason why present consumers should be permitted to suffer for lack of water, and indeed, a farsighted policy would be to render adequate service to these consumers, thereby securing their aid in the larger scheme and inducing others to settle, thus promoting the development which defendant is and has been attempting to finance. Present consumers should, however, be required to pay equitable rates and produce for the utility a sum equal to what the service is reasonably worth.

A statement of the operating revenues and expenses of Diamond Ridge Water Company for the years 1913 to 1919, inclusive, follows:

	Operating Revenues	Operating Expenses
1913	$ 1,318 55	$ 4,340 32
1914	3,594 15	6,900 73
1915	2,319 74	3,901 50
1916	1,011 90	5,290 05
1917	1,178 65	898 61
1918	1,717 25	5,992 19
1919	1,195 09	5,507 39
Totals	$12,335 33	$32,830 79

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However, as pointed out in the previous decision of the Commission, from which we quote above, this company can not expect to charge rates that will assure a return at the present time on its investment.

The rates at present in effect are as follows:

Domestic service (flat rate), $1 per month.
Irrigation service, 20 cents per miner's inch.
Industrial service (California Door Company only consumer), $30 per month; $1 additional for each dwelling house.

After a careful consideration of the evidence it appears that applicant is entitled to receive an increased revenue for the service rendered, and the rates set out in the following order are designed to produce an increased revenue and more equitably distribute the charge for service rendered.

ORDER.

Diamond Ridge Water Company having applied to the Railroad Commission for an order authorizing it to increase its rates, a public hearing having been held, and the Commission being fully apprised in the premises:

It is hereby found as a fact, that the present rate schedule of the Diamond Ridge Water Company, in so far as it differs from the rate schedule herein set out, is unjust and unreasonable, and that the rates herein established are just and reasonable rates to be charged by said company for water.

And basing its order upon the foregoing finding of fact, and the other statements of fact contained in the opinion preceding this order;

It is hereby ordered, that the Diamond Ridge Water Company be and it is hereby authorized and directed to file with this Commission within twenty (20) days from the date of this order, and thereafter charge, the following rates:

For domestic use.

For each residence, store, etc., $1.50 per month.
Sprinkling or irrigation of lawns, shrubbery, gardens, etc., 3 cents for each square yard.

For irrigation purposes.

Per miner's inch day (24 hours), 30 cents. (1 miner's inch equals a flow of one-fortieth of a cubic foot per second.)

For industrial purposes. (Flat rate.)

California Door Company, $75 per month.
Caldor Railroad Company, $25 per month.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this thirtieth day of June, 1920.

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DECISION NO. 7815.

IN THE MATTER OF THE APPLICATION OF RICHMOND AND SAN RAFAEL FERRY AND TRANSPORTATION COMPANY FOR AUTHORITY TO ISSUE ONE THOUSAND SEVEN HUNDRED FIFTY SHARES OF ITS CAPITAL STOCK.

Application No. 5804.

Decided June 30, 1920.

G. B. Blankenburg, for Applicant.

LOVELAND, *Commissioner*.

OPINION.

Richmond and San Rafael Ferry and Transportation Company asks permission to issue and sell at par $175,000 of its common capital stock.

Applicant was incorporated on or about April 13, 1915, with an authorized capital stock of $100,000. Stock in the amount of $91,600 is reported as now outstanding. At a special meeting of the stockholders held on April 27, 1920, the stockholders voted to increase the authorized capital stock of the corporation from $100,000 divided into 1000 shares of the par value of $100 per share each, to $500,000 divided into 5000 shares of the par value of $100 per share each.

Applicant reports that it is the owner and operates the ferry steamer "Charles Van Damme" between the points of Richmond and San Quentin upon the San Francisco Bay. This steamer has been in operation since July 19, 1916, and has an average carrying capacity of approximately forty-five automobiles. The testimony shows that on account of the increase in traffic, applicant can not properly handle with one ferry boat the business offered, particularly on Sundays, Saturdays and holidays during the summer months. To take care of the increasing business, applicant's stockholders have concluded to construct an additional ferry boat. The proposed ferry boat will be of wood construction and have a carrying capacity of approximately fifty automobiles. Witnesses for applicant are of the opinion that this boat can be constructed at a cost ranging from $165,000 to $175,000 and that the boat can be built and placed in operation prior to April 1, 1921. In addition to constructing a boat, it will be necessary for applicant to expend from $8,000 to $9,000 to improve its ferry slips at points Richmond and San Quentin.

The testimony shows that all of the $175,000 of stock which applicant proposes to issue will be acquired by present stockholders of the company at par, in proportion to their present holdings.

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I herewith submit the following form of order:

ORDER.

Richmond and San Rafael Ferry and Transportation Company having applied to the Railroad Commission for permission to issue $175,000 par value of stock, a public hearing having been held and the Railroad Commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required for the purpose or purposes specified in this order, and that the expenditures for such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income;

It is hereby ordered, that Richmond and San Rafael Ferry and Transportation Company be and it is hereby authorized to issue and sell, for cash, on or before December 31, 1920, at not less than par $175,000 of its common capital stock and use the proceeds for the purpose of acquiring and constructing the ferry boat and the improvements referred to in this application; *provided*:

1. That applicant file with the Commission within thirty days after the date of this order a copy of the plans and specifications of the proposed ferry boat, together with a summary of the cost of the boat.

2. That Richmond and San Rafael Ferry and Transportation Company keep such record of the issue and sale of the stock herein authorized and of the disposition of the proceeds as will enable it to file on or before the twenty-fifth day of each month a verified report, as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this thirtieth day of June, 1920.

DECISION No. 7816.

IN THE MATTER OF THE APPLICATION OF WILHELM AND BERTHA KRETSCHMER, JOINT OWNERS OF A WATER PLANT, FOR INCREASE OF RATES OR DISCONTINUANCE OF PUBLIC UTILITY WATER SERVICE.

Application No. 5652.

Decided June 30, 1920.

Wilhelm and Bertha Kretschmer, in propria persona.
Mattie Laughlin, in propria persona.

BRUNDIGE, *Commissioner.*

OPINION.

Applicants in the above entitled matter are the owners of a small water plant located at 735 West 116th street, Los Angeles, from which

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they serve water for domestic purposes to two consumers at the rate of $1.50 per 1000 cubic feet for the four months during the winter and $2 per 1000 cubic feet for eight months during the summer. It appears that one of applicants' consumers received service throughout all of last year, while the other received service for only the last three months of the year, due to the house being vacant up to that time.

Applicants were unable to make any statement as to cost of maintenance and operation or revenue received for 1919, but stated that the present revenue does not provide for the cost of maintenance and operation, due to the high cost of gasoline and repairs. Inasmuch as the consumers have no other water supply available, applicants stated that they would be willing to continue the service if a rate were established which would more adequately compensate them for the service rendered.

A study has been made of the probable maintenance and operation costs for the year 1920, and it appears that $90 will fully cover this item, not including interest on investment or depreciation. Taking into consideration the statement of applicants that they use for their own purposes as much water as their other two consumers combined, the proposed rate will provide a return of approximately $120 for the operation of the plant. This amount will meet the reasonable maintenance and operation charges, provide a replacement fund and a fair return on the investment.

ORDER.

Wilhelm and Bertha Kretschmer having made application to the Railroad Commission as entitled above, a public hearing having been held and the Commission being fully advised in the premises:

It is hereby found as a fact, that the rates and charges of said Wilhelm and Bertha Kretschmer, in so far as they differ from the rates herein established, are unjust and unreasonable, and that the rates hereinafter set out are just and reasonable rates.

And basing its order on the foregoing finding of fact and on the further statements of fact contained in the opinion which precedes this order;

It is hereby ordered, that Wilhelm and Bertha Kretschmer be and they are hereby directed to continue the operation of their public utility water service, and they are hereby further authorized and directed to file with this Commission within twenty (20) days of the date of this order, and thereafter charge and collect the following rate for service, said rate to be and become effective July 1, 1920, and to supersede any rates for this service theretofore in effect:

$2.50 per month for 1000 cubic feet minimum.
25 cents for each 100 cubic feet additional.

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The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this thirtieth day of June, 1920.

DECISION No. 7817.

PACIFIC STATES CORPORATION

vs.

SOUTHERN PACIFIC COMPANY.

Case No. 1238.

Decided June 30, 1920.

RECIPROCAL DEMURRAGE—CARRIERS' RESPONSIBILITY FOR.—The reciprocal clause of demurrage rules was not established to be applied only when cars are plentiful, for at such times carriers are only too willing to furnish equipment, but was established to require extra efforts to supply cars during periods of shortage and to prevent discrimination. When it is conclusively shown, however, that it was physically impossible for the company to furnish cars and that shippers were warned of a car shortage, the railroad can not be penalized for failure due to causes beyond its control.

Petition for reciprocal demurrage dismissed.

C. W. Pendleton, for Complainant.

H. H. Gogarty, for Defendant.

LOVELAND, *Commissioner*.

OPINION.

This is a case in which the complainant asks to recover from the defendant reciprocal demurrage in the sum of $2,217. The basis upon which the claim is made is set forth in the application.

The Pacific States Corporation, the plaintiff in this proceeding, is the owner of extensive ranch lands located at Tagus, a nonagency station about 4.4 miles north of Tulare on the line of defendant, Southern Pacific Company.

The testimony showed that the plaintiff ordered equipment as follows:

Five box cars, size 40 feet, each day for seven days, to be furnished on July 20, 21, 22, 24, 25, 26 and 27, said cars to be placed at Tagus station to be loaded with hay by Pacific States Corporation, shipper, and that the destination of the cars was to be Los Angeles.

Five box cars, size 40 feet, each day for seven days, to be furnished on August 4, 5, 6, 7, 8, 10 and 11, said cars to be placed at Tagus station to be loaded with hay by Pacific States Corporation, shipper, and that the destination of the cars was to be Los Angeles.

Four box or stock cars, size 36 feet, each day for seven days, to be furnished on September 4, 5, 6, 7, 8, 9 and 11, said cars to be placed at Tagus station to be loaded with hay by Pacific States Corporation, shipper, and that the destination of the cars was to be Los Angeles.

These cars to be set on the spur track on the property of the plaintiff for loading hay.

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The cars were ordered in July, August and September, 1916, during the war period and while there was an extreme car shortage. This car shortage was not only proven by the testimony, but it was a well known fact that a tremendous congestion of freight cars existed at all the principal terminals, especially on the Eastern seaboard, where great quantities of war materials, supplies and munitions were awaiting export and during a time when all transportation facilities were taxed to the utmost.

Rule 3, paragraph b of the Uniform Rules for Demurrage and Reciprocal Demurrage, contained in General Order No. 41 of this Commission, provides as follows:

> Whenever it shall appear to the satisfaction of the Commission that the failure of a railroad to furnish a car or cars for loading within the time fixed by these rules, or the failure of the shipper or consignee to load or unload the same was due to causes beyond the control of such carrier, shipper or consignee, no payment shall be required to be made on account of such delay.

The reciprocal feature of the Commission's rule would seem to us to be absolutely worthless if carriers were compelled to furnish cars only when they are plentiful; when cars are plentiful carriers are only too willing to furnish them, consequently the reciprocal feature would be of no advantage to the shipping public at such times, but only in times of car shortage, and by this we do not mean a dearth of cars, but such a shortage as requires extra effort on the part of carriers to provide; nevertheless, there are times when equipment is so scarce that it becomes a physical impossibility to furnish cars as ordered.

The record was devoid of evidence that any discrimination was practiced by the defendant, or that cars were furnished other shippers in or about Tulare or Tagus to the detriment of the plaintiff in this case.

The period for which the cars were ordered was also during the green fruit season, when this defendant's equipment was in great demand, especially the kind of cars ordered by the plaintiff in this case. Furthermore, the defendant could not anticipate the requirements of the plaintiff, it being shown that the latter used 300 per cent more cars in 1916 than in 1915. The defendant offered testimony proving a nation-wide car shortage, supported by this Commission's letters, dated October 19, 1915, and November 6, 1916, addressed to all shippers and receivers of freight, in which the Commission outlined the conditions causing the car shortage and making a plea to the shippers and receivers of freight to load and unload promptly. The anticipated car shortage became a fact and the shortage increased until the American Railway Association reported as of October 1, 1916, a net shortage of 61,030 cars, while on the same date in 1915 there was a surplus of 78,299 cars.

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In view of these facts, all of which were testified to by the defendant and none of which were controverted by testimony of the plaintiff, it is manifestly true that such a car shortage existed as made it absolutely impossible for the defendant to furnish the cars in this instance.

I am of the opinion that the circumstances of the case are such as to relieve the defendant from the penalty imposed by reciprocal demurrage, for the reason that its failure to furnish the cars ordered was due to causes beyond the control of said defendant.

I recommend the following order:

ORDER.

The Pacific States Corporation, a corporation, having filed complaint against the Southern Pacific Company asking for reciprocal demurrage on account of not having received cars as ordered, as explained in the foregoing opinion, the case having been regularly heard and considered, and it having been found as a fact that the defendant, Southern Pacific Company, did not and could not for reasons beyond its control, furnish the cars ordered;

It is hereby ordered, that the complaint in this case should be and the same hereby is dismissed.

Dated at San Francisco, California, this thirtieth day of June, 1920.

DECISION No. 7818.

IN THE MATTER OF THE APPLICATION OF PACIFIC GAS AND ELECTRIC COMPANY, A CORPORATION, FOR AN ORDER OF THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA, AUTHORIZING APPLICANT TO PERMANENTLY DISCONTINUE SUPPLYING WATER FOR POWER PURPOSES TO MINES IN NEVADA COUNTY, STATE OF CALIFORNIA.

Application No. 5015.

Decided June 30, 1920.

WATER SERVICE—POWER PURPOSES.—It is held that the diversion of water now delivered and used for mining power and irrigation purposes in Nevada County would result in unwarranted damage to property rights in said county which would not be offset by the use of such water for power generating purposes.

Application to discontinue the delivery of water for above mentioned purposes, denied.

Charles P. Cutten, for Applicant.

F. T. Nilon, for city of Nevada.

Robert M. Searls, for Indian Springs to Wolf Creek Water Users Association, and Blue Point Mining Company.

P. H. Armstrong, for city of Grass Valley and residents of Nevada County.

McCutchen, Willard, Mannon and Greene, by *Edward J. McCutchen* and *Lloyd P. LaRue*, for Empire Mines and Investment Company, and for North Star Mines Company.

James F. Sheehan and *Charles J. Heggerty*, for New Blue Point Mining Company.

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DEVLIN, *Commissioner.*

OPINION.

The application in the above entitled proceeding alleges in effect that applicant and its predecessors in interest have for many years been furnishing water for power purposes to the North Star Mines Company and Empire Mines Company, near the city of Grass Valley, Nevada County; that the water so furnished is conveyed from Lake Spaulding reservoir by means of the Drum canal and the main South Yuba canal through its Deer Creek power house and thence through the Cascade ditch to the mines and to the city of Grass Valley; that the North Star Mines Company uses approximately 270 miner's inches and Empire Mines Company approximately 400 miner's inches of water for operating water wheels and air compressors and for other purposes; that the mine machinery, now operated by water power, could be successfully and economically operated by electric power, of which there is a sufficient supply at reasonable rates; that the present methods of operation, whereby water is passed through the Deer Creek power house is wasteful and uneconomical, and by routing the water through the Drum, Halsey and Wise power houses there would be developed an increase of electric energy amounting to approximately eight million kilowatt hours per year.

The Commission is asked to permit applicant to permanently discontinue supplying water for power purposes in Nevada County.

Protests against granting the application were filed by the city of Nevada by the Empire Mines and Investment Company, by the North Star Mines Company and by the Indian Springs to Wolf Creek Water Users Association.

Public hearings were held at which all interested parties were given an opportunity to be present and be heard.

Testimony shows that the water resources in Nevada County, now controlled by Pacific Gas and Electric Company, date back to 1850, when the construction of ditches was commenced for the purpose of supplying water for gravel mining in the vicinity of Nevada City. Law suits arose between the several companies, consolidation took place and from this consolidation grew the system of canals of the old South Yuba Canal Company. The canals and water rights later passed to the South Yuba Water and Mining Company, thence to South Yuba Water Company and thence to Pacific Gas and Electric Company, the present owner and the applicant herein.

The main object in view, when the ditches were originally constructed, was to supply water for mining purposes in Nevada County, and during the first thirty years or more of their existence, the water was used almost exclusively for such purposes, principally for placer

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mining. About the year 1880 litigation between the valley farmers and the hydraulic miners began, and was carried through a number of years, with the result that the miners were finally enjoined from depositing mining debris in the streams. The result was an almost entire cessation of hydraulic mining.

Upon the practical abandonment of hydraulic mining, and the consequent decrease in the use of water, the owners of quartz mines were induced to discontinue the use of steam for power and to operate by water power, which necessitated the expenditure of large sums of money for machinery. At the same time the sale of water for irrigation purposes was commenced.

Protestants allege that the use of water by quartz mines and farmers enabled applicant's predecessors to retain their water rights and that without such use the rights would have lapsed.

After water has passed through applicant's Deer Creek power house, under an effective head of 837 feet, it is carried in canals to reservoirs supplying Nevada City and Grass Valley and to the various mines and irrigators.

The Empire mine purchased an average of 380 miner's inches of water in 1919, of which 230 inches were used for power purposes and 150 inches for air compressor jackets, milling, domestic use and minor irrigation; 188 inches of the 230 used for power is under a head of 437 feet, and subsequently at least 100 inches of the 188 is again used for power production by the North Star mine under a head of 208 feet, and again by the Allison Ranch mine under a head of 244 feet. Later the entire 188 inches is used by the Norambagua mine under a head of 38 feet, and subsequently there is an additional use of the water for power purposes by the Blue Point Mining Company. The remaining 42 inches of the 230 is used by the Empire mine under a head of more than 600 feet, and is subsequently used at the Norambagua mine under the 38 foot head.

The North Star mine purchased an average of 308 miner's inches in 1919, of which 300 inches was used for power production, under a head of 775 feet, and 8 inches for other purposes.

The water used for power production at these mines is later dropped into Wolf creek, is picked up by the Campbell or Tarr ditch, by the Lime Kiln ditch and by the Sleeman ditch and is used for irrigation and other purposes by farmers.

The engineer for the Empire Mine and Investment Company and the North Star Mines Company testified that, when the aggregate head under which the Deer Creek power house and the mines operate was taken into consideration the increase in efficieney which would result from depriving the mines of water and routing it through the Drum, Halsey and Wise power plants, as is proposed in the application, would

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amount to less than three million kilowatt hours per year instead of the eight million claimed by applicant.

This witness also testified that the cost of the machinery required before electrical operation could commence would be $26,949 at the Empire mine and in excess of $35,680 at the North Star mine. It was also shown that the expense of operation with electrical equipment would be more costly than operation by water power.

No estimates were presented showing the cost of the machinery necessary for the change in operation from water to electric power at mines other than the Empire and North Star, but it is evident that the cost will be a very substantial one.

After a careful consideration of all the evidence presented, I am of the opinion that deprivation of the water now supplied by applicant to the mines and irrigators in Nevada County would be unwarranted and would result in very substantial and unjust prejudice and damage to those water consumers, and that there would be no sufficient corresponding or compensating benefit to the public in the increased production of electric energy.

ORDER.

Pacific Gas and Electric Company having made application in the above entitled proceeding, a public hearing having been held thereon, and being fully advised in the matter, and it appearing that the interests of the public would be best served by a dismissal of the application;

It is hereby ordered, that the application herein be and it is hereby dismissed.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this thirtieth day of June, 1920.

DECISION No. 7819.

IN THE MATTER OF THE APPLICATION OF SAN GORGONIO WATER COMPANY FOR AN ORDER AUTHORIZING IT TO INCREASE ITS RATES.

Application No. 4880.

IN THE MATTER OF THE APPLICATION OF BEAUMONT LAND AND WATER COMPANY FOR AN ORDER AUTHORIZING AN INCREASE IN RATES.

Application No. 4881.

BEAUMONT IRRIGATION DISTRICT, A CORPORATION,

vs.

BEAUMONT LAND AND WATER COMPANY AND SAN GORGONIO WATER COMPANY.

Case No. 1345.

Decided June 30, 1920.

Carnahan and Clark, by *H. L. Carnahan*, for Applicants and Defendants.
W. E. Evans, *H. B. Lynch* and *A. L. Ellis*, for Complainant and Protestant.

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MARTIN, *Commissioner*.

OPINION.

The above entitled proceedings, which were consolidated for hearing and decision, involve the rates and service of the Beaumont Land and Water Company and the San Gorgonio Water Company. These companies are public utility water companies engaged in the business of selling water for domestic and irrigation uses in and in the vicinity of the city of Beaumont.

The allegations contained in the applications are to the effect that the present rate schedules of these companies do not yield a sufficient income to meet operating expenses, replacement fund, and interest on the fair value of the properties used in rendering service.

Complainants in Case No. 1345 allege that the water supply of the Beaumont Land and Water Company and the San Gorgonio Water Company, hereinafter referred to as applicants, is inadequate, that said companies are not taking proper action to obtain an additional supply and are not making a full and efficient use of their present production facilities.

The San Gorgonio Water Company obtains its water supply from the system of the Beaumont Land and Water Company, and is in fact operated from the same office and by the same general staff. These two companies are for the purpose of this proceeding considered as one. The present rates in effect are the same for both companies, and are as follows:

Domestic.

Minimum for 400 cubic feet or less, $1.25 per month.
From 400 cubic feet to 900 cubic feet, 20 cents per 100 cubic feet.
Over 900 cubic feet, 10 cents per 100 cubic feet.

Irrigation.

First 200 miner's inch hours per acre per annum, 3 cents per miner's inch hour.
Over 200 miner's inch hours per acre per annum, 1½ cents per miner's inch hour.
Minimum per month, 50 cents per acre.

The Beaumont Irrigation District, complainant herein, is taking the necessary legal steps to purchase applicant's properties. Some time since, this Commission found that a price agreed upon between the irrigation district and applicants was a fair and reasonable price, and so held in its Decision No. 7420, in the proceedings entitled,

"In the matter of the petition of the Beaumont Irrigation District to fix the valuation of the property of the Beaumont Land and Water Company," Application No. 4910; and

"In the matter of the petition of the Beaumont Irrigation District to fix the valuation of the property of the San Gorgonio Water Company," Application No. 4911.

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The applications for authority to increase rates were filed a short time prior to those of the Beaumont Irrigation District for the fixing of the just compensation to be paid for these properties.

Hearing and decision herein were delayed because of the prospective transfer to the irrigation district. Although the district is proceeding diligently, it appears that some time will elapse before necessary preliminaries can be completed, a bond election held, bonds issued and the sale consummated. This will necessitate the operation of these plants by the utilities during the major portion of the present irrigation season.

Applicants contend that the delay in the establishment of a fair rate schedule is causing them a material financial loss. Counsel for applicants stated at the hearing that in view of the prospective transfer of these water systems in the near future, applicants would ask at this time for the establishment of a temporary rate schedule or a surcharge which would yield only operating expenses including depreciation. If the systems are not purchased by the districts because of a failure of the people to vote bonds or other reasons, counsel asks that these proceedings be completed and a rate schedule regularly established which will yield a revenue equal to operating expenses, depreciation and a fair interest return on the value of its properties.

At the hearing held herein, it was stipulated that a temporary rate be established. The terms of the stipulation are as follows:

"That is, that a rate be established and the income derived from that rate be held as a trust fund. If the income derived from the rate established exceeds the operating expenses between now—between the first of this year and the time the system is turned over to the district—the difference will be returned to the consumers. If the system is not turned over to the district, that is if the district does not finally purchase the system, that the fund be held as a trust fund and if the rates established by the Commission upon the final completion of this rate proceeding do not equal the rates collected during the period between now and the end of the dealings with the district looking to the purchase of the plant, then the sum over and above the rates established by the Commission be returned to the consumers, provided, of course, that the final rates do not equal the rates established."

This stipulation having been made, evidence was submitted relative to the operating expenses and necessary improvements to facilities for the present season.

Applicants' engineers and accountants submitted an estimate of $36,173 for operating expenses including depreciation during the present year. M. E. Ready, one of the hydraulic engineers of the Commission, estimated the average annual operation expenses, including replacement fund, to be approximately $26,500. The gross operating

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revenue received by applicants during 1919 was $24,264, and it appears that if the present rate schedule is continued in effect applicants would receive during 1920 approximately the same revenue.

A material portion of the annual operating expenses are incurred in repairs to plant and other preparations necessary before the irrigation season actually commences. We are now in the midst of the irrigation season and a rate schedule or surcharge established at this time would be in effect for only the remainder, or perhaps even less, in the event of more expedition on the part of the district than now seems possible. It is obviously difficult to establish a rate schedule which, together with the rate schedule heretofore in effect, will yield during the present irrigation season a sum equal to applicants' operating expenses. The uncertainty as to the date upon which the irrigation district will take over the properties, if it does at all, further complicates the problem. However, the probable expenditures have been carefully analyzed, as has the data submitted relative to income and operating conditions. This analysis leads to the conclusion that the rate schedule established should be in the form of a percentage surcharge added to all bills rendered, and that this surcharge should equal approximately 25 per cent additional to the present rates.

In view of the conditions involved in the establishment of this surcharge, the order herein will be made conditional upon applicants holding for return to their consumers any revenue received over and above operating expenses, including replacement fund, subject to further order of this Commission as to the method of return, reasonableness of expenditures, and the amount of revenue received.

The matter of the improvement necessary to deliver an adequate supply of water was also the subject of testimony at the hearing. H. B. Lynch, complainant's engineer, testified that in his opinion, in order to safeguard the supply for the present summer, every pump and well should be operated at all times; that Well No. 6 should be re-equipped with pump and motive power and put in operation and that, if possible, two more wells be drilled and equipped, even though they could not be placed in operation before the first of August.

Applicants contend that owing to the shortage of electrical energy, it is impossible to obtain power for new wells during the present summer, and that equipment is being installed upon Well No. 6 in order to again put it in operation. Applicants stated their willingness to do all in their power to increase the available water supply and to render adequate service. Although it appears from the evidence that applicants are conforming with all Mr. Lynch's suggestions except the installation of two new wells, it appears advisable to require that a report be filed showing in detail what steps have been taken and are proposed to better service conditions during this irrigation season.

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ORDER.

The San Gorgonio Water Company and the Beaumont Land and Water Company having applied in the above entitled proceedings for authority to increase rates for water served in Beaumont and vicinity for irrigation and domestic use, and a public hearing having been held, and the Commission being fully apprised in the premises:

It is hereby found as a fact, that the rates of the San Gorgonio Water Company and the Beaumont Land and Water Company, in so far as they differ from the rates herein established, are unjust and unreasonable, and that the rates herein established in accordance with the stipulation as set out in the opinion preceding this order, are just and reasonable, and basing its order on the foregoing finding of fact and on the further statements of fact set out in the opinion preceding this order;

It is hereby ordered, that San Gorgonio Water Company and Beaumont Land and Water Company be and they are hereby authorized and directed as follows:

(1) To file with this Commission within twenty (20) days of the date of this order a schedule of rates providing for a 25 per cent surcharge on all water bills in addition to the charges for water at the rates heretofore in effect.

(2) To put in effect a 25 per cent surcharge for all bills rendered on and after July 1st, 1920.

(3) The above surcharge to be and remain effective upon the following conditions and not otherwise:

(*a*) The San Gorgonio Water Company and the Beaumont Land and Water Company shall return to their consumers any surplus over operating expenses, pursuant to the stipulation included in the opinion preceding this order, as directed by this Commission, at the time when the Beaumont Irrigation District takes over the ownership and operation of said properties and that if said Beaumont Irrigation District does not acquire said properties, said companies shall return to their consumers as directed by this Commission the difference, if any exists, between the charges which would have been collected by it under rates to be established by this Commission when it is finally determined that the district will not acquire said properties, and the charges collected hereunder.

(*b*) The moneys collected hereunder shall be subject to return to the consumers of said companies, as directed by this Commission, after investigation as to the reasonableness of the expenditures, the amount of revenue received, and such other matters as the Commission may see fit.

It is hereby further ordered, that San Gorgonio Water Company and Beaumont Land and Water Company be and they are hereby

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directed to file with this Commission within fifteen (15) days of the date of this order a statement setting forth what additional service facilities have been installed or that they propose to install and what steps have been taken to better service conditions.

It is understood that this is not a final order in these proceedings, and that the Commission will make such further orders as to it may seem proper with reference to the matters involved.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this thirtieth day of June, 1920.

DECISION NO. 7820.

IN THE MATTER OF THE JOINT APPLICATION OF CALIFORNIA POWER AND MANUFACTURING COMPANY, A CORPORATION, AND MOUNT SHASTA POWER CORPORATION, A CORPORATION, AND PACIFIC GAS AND ELECTRIC COMPANY, A CORPORATION, FOR AN ORDER OF THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA AUTHORIZING AND APPROVING AN AGREEMENT OF SALE AND AUTHORIZING AN EXECUTION AND DELIVERY OF PROMISSORY NOTES.

Application No. 5759.

Decided June 30, 1920.

BY THE COMMISSION.

FIRST SUPPLEMENTAL ORDER.

Good cause appearing:

It is hereby ordered, that the provision of the order in Decision No. 7722, dated June 16, 1920, reading:

It is hereby ordered, that California Power and Manufacturing Company be, and it is hereby, authorized to sell, and Mount Shasta Power Corporation be, and it is hereby, authorized to purchase for $110,902.54 all those properties described in applicant's Exhibit No. 2, such sale and purchase to be made pursuant to the terms and conditions of the agreement attached to the petition herein and marked Exhibit "D"; provided * * *

be, and the same is hereby, modified so as to read:

It is hereby ordered, that California Power and Manufacturing Company be, and it is hereby, authorized to sell, and Mount Shasta Power Corporation be and it is hereby authorized to purchase for $110,902.54, all of the operative property and mill property of said California Power and Manufacturing Company, and all of the rest of its property of every kind, except only money in its treasury and in bank and accounts and notes receivable and owned by it on March 1, 1920, such sale and purchase to be made pursuant to the terms and conditions of the agreement attached to the petition herein and marked Exhibit "D"; provided * * *.

It is hereby further ordered, that the order in Decision No. 7722, dated June 16, 1920, shall remain in full force and effect, except as modified by this First Supplemental Order.

Dated at San Francisco, California, this thirtieth day of June, 1920.

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Decision No. 7821.

IN THE MATTER OF THE APPLICATION OF FLETCHER AND TREMBLE FOR AN ORDER GRANTING PERMISSION TO INCREASE RATES BY ESTABLISHING A LINE OF CLASS RATES AND ADOPTING A UNIFORM CLASSIFICATION OF COMMODITIES TO APPLY ON BUSINESS HANDLED BETWEEN LOS ANGELES AND VENICE, OCEAN PARK AND SANTA MONICA AND INTERMEDIATE POINTS.

Application No. 5796.

Decided June 30, 1920.

L. T. Fletcher, for Applicants.
Frank Karr, for Pacific Electric Railway Company.

By the Commission.

OPINION.

Above named applicants ask authority to increase rates for transporting freight by auto truck between Los Angeles, Venice, Ocean Park, Santa Monica and intermediate points.

A public hearing upon the application was held by Examiner Westover in Los Angeles, June 23.

Applicants have been and now are operating under rates shown in tariff filed by Bert Ritchie, their predecessor. These rates, including store door, pickup and delivery are 15 cents first-class and 12½ cents second-class with a minimum charge of 25 cents and 15 cents respectively; capacity truck loads, all classes, $10, and pianos $5 each. This tariff divides all shipments into two classes.

Applicants operate a local transfer business in Los Angeles, motor truck service between Los Angeles and San Bernardino and the service in question between Los Angeles, Santa Monica and intermediate points. It appears from applicants' figures that under these rates for the eight months which ended April 19, 1920, the San Bernardino division showed a profit of $567.83, and the Los Angeles and Beach division here under consideration showed a loss of $5,318.75, figuring in the operating expenses of $6,810.75 depreciation upon equipment at 33⅓ per cent per year and interest upon investment at 8 per cent per year. In the computation the Los Angeles terminal expense of $7,530.66 is divided between the two divisions in proportion to tonnage, three-quarters of the amount being charged to the Los Angeles and Beach division. Of the business handled on the latter division, about nine-tenths moves toward the beaches. Applicants charge about one-third of the rent of the terminal and all of the salary of the man in charge of the local transfer business to that branch of their business, but do not charge to it about one-tenth of the time of the managing partners, which is devoted to the local business.

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The rates requested from terminal to terminal are stated to be approximately the present rail rates between the same points.

Applicants' testimony was to the effect that at the time of the commencement of operations, the terminal facilities offered the shipping public were inadequate, that they had since been largely increased, and that this additional accommodation and service, together with the increased cost of supplies, repairs and labor had resulted in losses from the beginning until now it was impossible to continue at the old rates. They anticipated the increases in rates will cause a temporary loss in revenue, but nevertheless believed the final results would in the end prove satisfactory and to the best interests of all concerned.

Applicants estimate that the proposed increases in rates will amount to about 66⅔ per cent. Applying this ratio of increase to the estimated revenue of $7,140 during the eight months period referred to, crediting the item of Los Angeles terminal expense with one-tenth of the salary of applicants, and reducing the rate of depreciation to 20 per cent for the purposes of our computation, we conclude that the showing made justifies the increase in rates applied for.

The position of the Pacific Electric Railway Company is that the requested rates are justified.

ORDER.

L. T. Fletcher and Elmer Tremble, partners in business under the name of Fletcher and Tremble, having applied for authority to establish the rates and rules hereinafter set forth governing shipments by motor truck between Los Angeles, Venice, Ocean Park, Santa Monica and intermediate points and a public hearing having been held thereon, the matter being submitted and now ready for decision;

It is hereby ordered, that said Fletcher and Tremble be and they are hereby authorized to establish rates and rules governing said shipments between Los Angeles, Venice, Ocean Park, Santa Monica and intermediate points and after filing tariff therefor to charge and collect rates as follows, to wit:

	Rates in cents per 100 pounds.				
Between	1.	2.	3	4.	Minimum Charge
Terminal depot and terminal depot	25	21	17½	15	35 cents
Terminal depot and store door	30	26	22½	20	50 cents
Store door and store door	33	29	25½	23	75 cents

Said class rates to be governed by Monroe's "Ship by Truck" Freight Classification No. 1, C. R. C. No. 1, supplements thereto or reissues thereof.

Where rates cover store door, pickup and delivery same includes such service within defined city limits at all points served, except Los Angeles. Free pickup and delivery zone in Los Angeles: North, First street; south, Ninth street; east, Santa Fe avenue; west, Main street.

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Charge for pickup and delivery service outside above described zone in Los Angeles will be as follows:

For ½ ton or less	$1 25 per hour
Over ½ ton to 1 ton, inclusive	1 50 per hour
Over 1 ton to 2 tons, inclusive	1 75 per hour
Over 2 tons to 3 tons, inclusive	2 00 per hour
Over 3 tons to 4 tons, inclusive	2 25 per hour
Over 4 tons	2 50 per hour

Special equipment or extra labor when furnished by this company for loading or unloading any article requiring such special service will be charged for at rate of 75 cents per hour per extra man required, in addition to the regular rates.

Dated at San Francisco, California, this thirtieth day of June, 1920.

DECISION NO. 7822.

IN THE MATTER OF THE APPLICATION OF MODESTO GAS COMPANY, A CORPORATION, ASKING THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA FOR AN ORDER AUTHORIZING THE REIMBURSEMENT OF THE TREASURY FOR CAPITAL EXPENDITURES.

Application No. 5856.

Decided June 30, 1920.

BY THE COMMISSION.

ORDER.

Modesto Gas Company having reported that it has received from the sale of the $15,000 of bonds, the issue of which the Commission authorized by Decision No. 7426, dated April 15, 1920, the sum of $13,950 and that it has expended for purposes indicated in the Commission's decision $7,409.86, leaving $6,540.14 on hand; that as set forth in Exhibit "D," applicant has expended for the construction of additions and betterments, against which no bonds have been issued, the sum of $10,498.11, and applicant having asked permission to use the $6,540.14 to reimburse its treasury on account of expenditures reported in Exhibit "D," and the Commission's engineering department having reported that the expenditures set forth in applicant's Exhibit "D" are reasonable and the Commission being of the opinion that applicant's request should be granted; now, therefore,

It is hereby ordered, that Modesto Gas Company be and it is hereby authorized to use $6,540.14 obtained from the sale of the bonds, the issue of which was authorized by the Commission in Decision No. 7426, dated April 15, 1920, to reimburse in part its treasury on account of the expenditures set forth in Exhibit "D" attached to the petition herein.

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It is hereby further ordered, that the order in Decision No. 7426, dated April 15, 1920, shall remain in full force and effect, except as modified by this order.

Dated at San Francisco, California, this thirtieth day of June, 1920.

DECISION NO. 7823.

IN THE MATTER OF THE APPLICATION OF PACIFIC GAS AND ELECTRIC COMPANY, A CORPORATION, FOR AN ORDER OF THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA AUTHORIZING APPLICANT TO INCREASE ITS RATES AND CHARGES FOR ELECTRIC ENERGY.

Application No. 5567.

Decided June 30, 1920.

ELECTRIC RATES, REVISIONS OF—EXPENSES INCURRED PRIOR TO.—It is held that increased expenses of a utility should be considered from a date approximating the filing of its application to increase rates, that it is not feasible to increase rates for a six months period to take care of a full year's increased costs.

SERVICE—SHORTAGE OF SUPPLY—STEAM PLANTS, OPERATION OF.—The Commission holds that applicant should operate all available steam plants in addition to hydro-generating units in order that it will not be necessary to discontinue or curtail service to any of its consumers, although the cost of operating certain plants may exceed the revenue obtained from certain classes of service.

MAINTENANCE CHARGES—ALLOWANCE FOR.—Rates established which will provide adequate maintenance charges, as a reduction in such item at this time would only result in a poor quality of service in the future. Applicant, however, is required to set aside and use for that purpose only the full amount allowed for maintenance, and maintenance here provided for which is deferred can not be set forth as a reason for further increasing rates at a later date.

FINANCING—COST OF MONEY—RATE OF RETURN.—Evidence showing that money expended by applicant during the last two years has cost from 1 to 2 per cent in excess of previous rates, the rate of return is established on a basis of 9 per cent.

Increases amounting to 15 per cent established to become effective for meter readings made on and after July 10, 1920, and for flat rate service beginning July 1, 1920.

C. P. Cutten, for Applicant.

George Lull and *John J. Dailey*, for city and county of San Francisco.

Leon Gray, for the city of Oakland.

Frank V. Cornish, for the city of Berkeley.

Archer Bowden, for the city of San Jose.

D. T. Jenkins, for the city of Los Gatos.

E. H. Armstrong, for the city of Grass Valley.

F. T. Nilon, for the city of Nevada City.

Archibald Yell, for the city of Sacramento.

L. B. Leavitt, *C. C. Isaacson* and *Mr. Wilson*, for the city of Vallejo.

H. P. Hatfield, Secretary of the Chamber of Commerce of Vallejo.

J. Oscar Goldstein, for the city of Chico.

T. C. Judkins, for the town of Emeryville.

A. F. Bray, for the city of Martinez.

A. J. Carlson, for the city of Modesto.

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William N. Graybeil, for the city of Turlock.

C. H. Frey, for California Metal and Mineral Producers' Association.

John T. York, for city of Napa.

Mrs. Lydia Wolf, for the California Federation of Housewives' Leagues, Oakland.

Hector A. Dunn, for the California Federation of Housewives' Leagues, Oakland.

Messrs. Heller, Powers and Ehrman, by *Mr. Ehrman*, and *C. J. Carlson*, for Patterson Water Company.

Raymond A. Leonard, for city of Oroville.

J. F. Pollard, for Coast Valleys Gas and Electric Company.

L. F. Leurey, for the Sperry Flour Company.

Robinson and Price, for the California Manufacturers' Association, Alameda Sugar Company et al.

Chickering and Gregory, for the Western States Gas and Electric Company.

B. S. Crittenden, for the city of Tracy, West Side Irrigation District, Naglee-Burke Irrigation Company and the Riverview Land and Water Company.

William M. Abbott, for the United Railroads of San Francisco.

A. A. *De Ligne*, for F. H. Harvey of Galt.

DEVLIN, *Commissioner*.

OPINION.

Pacific Gas and Electric Company, herein referred to as applicant, requests that the Railroad Commission authorize it to make such increases in its electric rates and surcharges as may be just and reasonable, in the form of an immediate surcharge, and that thereafter this proceeding be continued for the determination of permanent rates and charges. It urges that it is of paramount importance that its income be maintained to make possible the continuance of its power development program, and asks therefore for immediate relief.

The extent of the business of Pacific Gas and Electric Company has been increased during the past year by the purchase of the properties of the Northern California Power Company, Consolidated, and the lease of the properties of the Sierra and San Francisco Power Company. The purchase of the former properties was effective October 1, 1919, and the lease of the latter properties was effective January 1, 1920.

The rates of these separate utilities were last passed upon prior to their acquisition by applicant. This Commission, in its Decision No. 5519, Application No. 3459 (Opinions and Orders of the Railroad Commission of the State of California, vol. 15, page 886), increased the existing rates and charges on the then existing Pacific Gas and Electric Company's system by certain surcharges, such increase effective as of July 10, 1918. The rates in effect on the Sierra and San Francisco Power Company's system were increased by this Commission by its Decision No. 5867, dated October 28, 1918 (Opinions and Orders of the Railroad Commission of the State of California, vol. 16, page 160), by certain surcharges which were effective for all meter readings taken on and after October 25, 1918. The electric rates on the Northern California Power Company's system were increased by a ten per cent

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surcharge, as set forth in this Commission's Decision No. 6285, dated April 24, 1919 (Opinions and Orders of the Railroad Commission of the State of California, vol. 16, page 684), and effective for all meter readings taken on and after the first day of May, 1919.

The rates heretofore in effect on these three separate systems are, in general, different, and the surcharges heretofore fixed have been of different amounts on each of the companies' systems. The Commission is now requested, due to certain increases in costs of operation, to grant an emergency increase of the rates on the combined properties in such manner as it deems proper.

Applicant alleges in its petition and sets forth in its presentation that an increase in its rates should be granted owing to the fact that the present rates and surcharges, due to certain causes which are listed below, do not net applicant the return found to be just and reasonable in the decisions heretofore referred to.

(1) There has been invested, since the decisions, in new capital, a sum in excess of $5,000,000, which will increase the fixed charges at least $500,000 per annum.
(2) Cost of oil used in the production of electric energy by applicant was increased on March 17, 1920, by the amount of 25 cents per barrel.
(3) Applicant's operating expenses will be materially increased in 1920 over 1919 conditions as a result of the more severe period of low precipitation existing, with the accompanying reduction of hydroelectric output and increased use of oil.
(4) Applicant has been required to increase the salaries and wages paid its employees, not only as would normally be increased but by additional increase equivalent to $373,198.92 per annum, effective April 1, 1920.
(5) A steady increase in the cost of material and supplies has continued during the present year.

Hearings in this application were held in San Francisco on May 6, 7, 25, 26 and 27, 1920, at which time evidence was introduced by applicant and by protestants relative to the application in so far is it refers to the emergency nature of the proceeding. The evidence presented by applicant in support of its request was directed primarily to the following subjects:

(1) Reduced output of hydroelectric plants caused by year of low precipitation.
(2) Increased price of oil effective March 17, 1920.
(3) Increased cost of labor and supplies.
(4) Past developments of applicant and need for extensive financing to meet growth of demand.
(5) Increased cost of money.

The nature of the proceedings upon which the present order is based is such that the detailed analysis given to capital investment, operating expenses and other similar considerations such as would be made in the establishing of a rate base and permanent rate can not, by reason of the emergency character of this part of the proceeding, be made and given; such study and analysis will of necessity be postponed for the further hearing of this application and the order herein made

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will be based on what are the obvious and immediate necessities of the situation appearing from the evidence introduced.

In order to facilitate matters it was stipulated at the hearing that all records of the Commission in so far as relevant might be considered as evidence by the Commission in connection with this proceeding.

The following table sets forth the consolidated operating revenue and expense statement of Pacific Gas and Electric Company, Northern California Power Company, Consolidated, and Sierra and San Francisco Power Company for the year 1919, together with applicant's estimate of revenue and expense for the year 1920, as set forth in its Exhibit No. 1, page 1:

PACIFIC GAS AND ELECTRIC COMPANY.

Consolidated Income Statement—Electric Department.
Year 1919 and Year 1920 (estimated).

	Consolidated Statement 1919	Estimated 1920 Based upon Existing Rates
Gross revenue	$17,761,424 00 (a)	$19,133,325 00
Inter-department revenue	304,699 00	322,203 00
Total revenue	$18,066,123 00	$19,455,528 00
EXPENSES.		
Maintenance and Operating Expenses.		
Maintenance	$1,360,807 00	$1,955,089 00
Operating (exclusive of fuel oil and purchased power)	2,445,669 00	2,968,093 00
Salary and wage increase of April 1, 1920		279,869 00
Operating—fuel oil	3,416,609 00	5,127,050 00
Operating—purchased power	950,770 00	511,303 00
Total maintenance and operating	$8,173,855 00	$10,841,524 00
Other Expenses.		
General and administrative	$576,947 00	$575,000 00
Salary and wage increase of April 1, 1920		16,907 00
Insurance reserves	78,468 00	80,000 00
Uncollectible accounts	53,268	55,000 00
Taxes	1,282,697 00	1,240,000 00
Total other expenses	$1,991,380 00	$1,966,907 00
Total expenses	$10,165,235 00	$12,808,431 00
Net available for depreciation and return	$7,900,888 00	$6,647,097 00

The consumers of the Pacific Gas and Electric Company served from its original system request that the properties should be considered separately and that they should not be burdened with an increase to offset the greater deficit which they contend exists on the system of Sierra and San Francisco Power Company. No prejudice will be suffered, however, by the consumers of either the former Northern California Power Company's system or former Pacific Gas and Electric

(a) Includes $242,051 inter-company revenue for energy sold between companies.

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Company's system if increases on these systems do not result in an unreasonable return considering the systems separate. Analysis has been made of sufficient extent to determine that no injustice is done the consumers of the separate systems as a result of the surcharge granted.

Applicant's estimates have been based upon the operations for the year 1920, practically one-half of which will have passed before any modification of the rates of the company can be made effective. Although the company should have its rates fixed so as to net it a reasonable return, it does not appear feasible to now increase the rates over a six months' period to take care of a full year's increased costs. In general, the conditions affecting the hydroelectric output of the company can be fairly well determined on about April 1 of each year. The marked increases in operating costs for this year became effective on approximately that date, and the application herein was not filed until the thirteenth day of April. It is, therefore, my conclusion that in this proceeding it will be logical to consider a twelve months' period commencing April 1, 1920, as a period for the determination of rates.

Applicant's estimate of revenue has been based upon the existing rates and surcharges applied to the total power which applicant estimates it will be able to produce and deliver. Estimates of applicant, together with records of the power administrator of the Commission, which are considered in evidence, show that applicant will in all probability not be able to supply the total demands for service on its system by approximated 7½ per cent during the last six months of the year 1920. The actual output of the combined systems, together with applicant's estimate for 1920, is as follows:

1918	1,242,396,366	kilowatt hours
1919	1,320,790,904	kilowatt hours
1920 (estimate)	1,411,514,990	kilowatt hours

Applicant's estimate for 1920 was based upon four months' actual operating conditions and estimated for the remaining eight. Since the estimate was presented the records for the month of May have been received, from which it appears that applicant's estimate of hydroelectric output for May is approximately 27,000,000 kilowatt hours below the actual, while the total output was approximately 7,000,000 kilowatt hours below the estimate. The output of applicant's hydroelectric plants is as follows:

1918 hydroelectric output	854,608,678	kilowatt hours
1919 hydroelectric output	801,227,387	kilowatt hours
1920 (company's estimate)	695,911,664	kilowatt hours
Normal year of rainfall (estimate)	939,000,000	kilowatt hours

The precipitation for the year 1920 has been considerably less than for the year 1919 and indications are that the output for this year will

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be considerably less than the former year. Applicant has, however, according to the records of the Commission, increased its storage capacity at Lake Spaulding reservoir by 10,100 acre-feet, which it estimates will increase its output from stored water by 15,000,000 kilowatt hours per annum. It has also installed a settling basin on its Bear River canal, which the company estimates will increase the output by approximately 10,000,000 kilowatt hours per annum. If these two amounts are deducted from the company's estimate, it appears that applicant's output has been estimated, without these improvements, at 130,000,000 kilowatt hours less than the actual in 1919.

A careful analysis of the evidence has been made by the Commission's engineering department considering the actual results for the month of May and the available records, which leads to the conclusion that the hydroelectric output for 1920 will be 750,000,000 kilowatt hours.

It was the opinion of applicant's engineers that if more kilowatt hours were produced from hydroelectric plants than estimated, the company would be able to dispose of additional energy and the steam plants would still be operated at full capacity. Weather conditions have not, however, been such as anticipated and during the month of May there was an actual reduction in steam output of approximately 34,000,000 kilowatt hours below the estimated. The total production from steam by applicant for the year will, according to the evidence, be approximately 570,000,000 as against applicant's estimate of 610,900,000 kilowatt hours.

Applicant estimates that it will purchase power in the total of 104,700,000 kilowatt hours. A study of the estimates of applicant indicates that it apparently does not contemplate the operation of certain smaller steam plants of utilities it serves which will be necessary in order to aid in the reduction of the existing power shortage. The evidence introduced in Application No. 5585, which, in accordance with the stipulation, may be considered in evidence in this proceeding, is to the effect that the Great Western Power Company will not be required to operate the Yerba Buena steam plant for its own needs, and the output of this plant should be available to Pacific Gas and Electric Company.

The Commission is of the opinion that Pacific Gas and Electric Company should operate all available plants in order that it will not be necessary to discontinue the service of its consumers, although the cost of operating these plants may exceed the revenue which will be obtained from certain classes of service. In view of this fact and from further consideration of the evidence it would appear reasonable to estimate a total purchase of 110,000,000 kilowatt hours for the year.

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The total output of applicant's system for the year 1920 may, therefore, be reasonably estimated to be:

Hydroelectric	750,000,000	kilowatt hours
Steam electric	570,000,000	kilowatt hours
Purchased power	110,000,000	kilowatt hours
Total	1,430,000,000	kilowatt hours

or a total increase of approximately 19,000,000 kilowatt hours in excess of applicant's estimate. Even with this additional increase in kilowatt hours it is not contemplated that applicant will be able to supply all of its consumers without a certain amount of curtailment of use.

The revenue of Pacific Gas and Electric Company's consolidated system for the year 1920 under existing rates should be increased to the following:

Gross revenue	$19,320,300 00
Inter-department sales	322,200 00
Total	$19,642,500 00

Considerable question was raised regarding applicant's estimate of maintenance expenses for the year 1920. The actual for 1919 was $1,360,807. The company's estimate, without special increase in wages which occurred on April 1, is $1,955,089, which, if increased by the advance in salaries and wages effective April 1, amounting to $97,819 per year, would be $2,052,908, or an increase of fifty per cent. This increase appears to be in excess of what would normally be expected. A considerable portion of the increase is effective on the Sierra and San Francisco Power Company's and Northern California Power Company's systems, due largely to the fact that these systems were not maintained to the extent that they should have been during the years 1918 and 1919. Maintenance on Pacific Gas and Electric Company's system to a less extent represents deferred maintenance, which the company alleges it could not complete during the year 1919.

Applicant's property should be maintained in first-class condition. It would be false economy to reduce maintenance at this time, which would result only in decreasing the quality of service in the future. Applicant's consumers should readily pay for an adequate maintenance allowance for the system even though a part represents deferred maintenance, as it does not appear that applicant's earnings have been unreasonably high during the last two or three years, and some of the deferred maintenance was due to war conditions and effects.

I recommend that a full allowance for maintenance be made but I believe it only fair that if the company, for various reasons, does not carry out the maintenance which it contemplates, that the amount which it does not expend should be set aside to cover maintenance in the

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future. If, for any reason, part of the maintenance herein mentioned is deferred until the next year, it should not again be set forth as a reason for further increase in rates. I recommend, therefore, that the allowance of $2,040,000 be made for maintenance and that the company be required, commencing July 1, 1920, to set aside each month the sum of $170,000 to cover this item, any amount in excess of actual expenditures for maintenance to be kept in reserve to cover future maintenance.

Question was also raised regarding applicant's estimate of operating expenses as, in this instance, also, a material increase in cost was estimated. The actual expense, exclusive of general expense for the year 1919, was $2,445,669.

The company's estimate for 1920, exclusive of special labor increase effective April 1, 1920, was	$2,968,093 00
Special labor increase effective April 1, 1920, nine months' period	206,534 00
Total	$3,174,627 00

Percentage increase, 29 per cent.

Applicant's business is estimated to increase only 7½ per cent and the number of employees or payroll does not generally increase in proportion to the business. There has been a general tendency to increase salaries and wages, and in the one specific instance, the company increased its payroll as above noted, which, on an annual basis, represents a total of $275,000 per annum, or about twelve per cent increase. I will allow for the twelve months' period the sum of $3,150,000 for operating expenses, which includes the above increase of $275,000 for salaries and wages, effective April 1.

Some modification should be made in applicant's estimate of fuel oil due to the fact that applicant will not produce as much power by steam as heretofore estimated. Based upon the estimate heretofore set forth, of 570,000,000 kilowatt hours, and applying the increased price of oil effective at the present time for the entire twelve months' period applicant's estimate should be reduced from $5,127,050 to $4,866,000.

Applicant's estimate of cost of purchased power is low as it apparently does not contemplate the cost of operation of all steam plants which will be operated on account of the power shortage and which will result in a higher cost per kilowatt hour than estimated by applicant. It is not contemplated applicant will make any profit on the power it produces in these plants but its obligation to serve requires that they be operated. Based upon the purchase of 110,000,000 kilowatt hours for the year, the allowance for purchased power should be $580,000.

Applicant's estimate of general expense, uncollectible bills and insurance reserve, appear reasonable and will be allowed.

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Under the heading of taxes there will be allowed the sum of $1,200,000.

The total allowance for depreciation as set forth in the decisions in which the surcharges now in effect were authorized was the sum of $1,246,934. Applicant has set aside an amount in excess of this during the past year. The amounts set forth in the former decisions represent the annuities to be set aside and do not cover interest upon the accrued depreciation. The interest accruals to the reserve should be set aside out of income, but for rate purposes the annuity is all that is normally to be considered as operating expenses.

There has been invested on the consolidated properties in additions and betterments since the previous surcharges were fixed and up to the present time, the sum of at least $5,000,000. Applicant is at this time installing a steam unit in the Oakland plant which will cost approximately $1,000,000 and which should be in operation by the first of November, 1920. It also reports that it is making increases to its transmission capacity and is making additions to distribution capital. In view of these facts, the sum reported up to the present time by Pacific Gas and Electric Company should be increased to $6,500,000. Depreciation on this amount, added to the former allowance for depreciation, will increase the annuity to $1,450,000.

Following is a summary of the revised estimate of revenue and expense of Pacific Gas and Electric Company for the period in question, being the twelve months commencing April 1, 1920:

PACIFIC GAS AND ELECTRIC COMPANY.

Revised Estimate of Revenue and Expense, Electric Department, Year Ending April 1, 1921.

Gross revenue	$19,320,300 00
Inter-department revenue	322,200 00
Total revenue	$19,642,500 00
Maintenance and expenses	$2,040,000 00
Operating expense	3,150,000 00
Fuel oil	4,866,000 00
Purchased power	580,000 00
General expense	598,000 00
Uncollectible bills	55,000 00
Insurance reserve	80,000 00
Taxes	1,200,000 00
Depreciation	1,450,000 00
Total expense	$14,019,000 00
Net for return	$5,623,500 00

In the Commission's previous decisions heretofore referred to the Commission found that under the circumstances the various utilities

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were entitled to certain net return after deducting depreciation, which may be listed as follows:

Pacific Gas and Electric Company's system	$5,403,960 00
Northern California Power Company, Consolidated	537,947 00
Sierra and San Francisco Power Company	941,553 00
Total	$6,883,460 00

As noted above, the investment will have increased by approximately $6,500,000. Money invested during the last two years has cost considerably more than previously. The evidence introduced showing the trend of increased cost of money shows that while certain securities cost approximately 6 to 6½ per cent prior to the war, the financing during the past year and one-half has been at a rate of between 7 and 9 per cent, and the money which has been borrowed by Pacific Gas and Electric Company to carry on the developments it is now commencing, according to the evidence, is costing it at the rate of 8.88 per cent. It is apparent that the former rate of return can not apply to additions and betterments of applicant when the present money is costing it from 1 to 2 per cent in excess of the moneys previously obtained. Without finally deciding the basis for determining the rate of return on new capital, it appears to me logical to allow on the additional capital herein referred to, a rate of return of 9 per cent, or a total sum of $585,000. On the above basis the net return to be allowed Pacific Gas and Electric Company to maintain the return formerly found reasonable for twelve months' period would be the total sum of $7,468,460 00

Estimated return as above	5,623,500 00
Deficit	$1,844,960 00

If the above deficit in net return to applicant is to be made up it will be necessary that this amount be increased for state, county and normal federal income tax, which will require a total increase in the revenue of $2,180,000. To obtain this increase from the revenue of the company, if applied on a basis of percentage of bills to be applicable for the remainder of the twelve months' period, will require an increase of approximately 15 per cent.

The rates of Pacific Gas and Electric Company's former system are an outgrowth of rates in effect on different systems which have been consolidated from time to time and many and numerous inconsistencies result, which it is the recommendation of the Commission's engineering department should be in a general way ironed out, duplications removed and a more logical set of schedules put in effect. The changes which will be made will not contemplate any very marked modification of charges. The schedules fixed are not considered as the final schedules

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which will be made after more exhaustive study, but are revised with a view to removing existing inconsistencies. The rates are also modified to include the existing surcharges, with slight modifications. The rates on the former Northern California Power Company's system are only slightly modified at this time, and Sierra and San Francisco Power Company's schedules have been revised in somewhat the same way as those of Pacific Gas and Electric Company. To the schedules as revised, which schedules are set forth hereafter, an authorized surcharge of 15 per cent will be allowed. The result of the increase herewith granted will be an increase in gross revenue of approximately $2,260,000 for the twelve months ending April 1, 1921.

I recommend the following form of order:

ORDER.

Pacific Gas and Electric Company having applied to this Commission for a temporary increase in its rates for electric service, public hearings having been held, and the matter, in so far as it refers to emergency condition, having been submitted and now ready for decision:

The Railroad Commission hereby finds as a fact that the rates and surcharges now in effect are unjust and unreasonable in so far as they differ from the rates and surcharges herein set forth, which are hereby found to be just and reasonable charges for electric service supplied by Pacific Gas and Electric Company.

Basing its order on the foregoing findings of fact and on the other findings of fact contained in the opinion which precedes this order;

It is hereby ordered, that Pacific Gas and Electric Company be and it is hereby authorized to charge and collect for electric service rendered in the territory served by its system as existing on September 1, 1919, based upon regular meter readings taken on and after the tenth day of July, 1920, for metered service, and for flat rate service based upon all service rendered on and after July 1, 1920, the following schedules of rates, to wit:

Schedule L-1.

Cancels and supersedes Pacific Gas and Electric Company's general schedules Nos. 100, 101, 104, 105, 106, 107, 127, 132, 139, 146, 148, 153, 159, 173, 174, 202, 205, and 206 within incorporated territory as set forth below.

GENERAL LIGHTING SERVICE.

Applicable to general residence and commercial lighting service.

Territory.

Applicable to service within incorporated municipalities served by former Pacific Gas and Electric Company's system, excepting city of San Francisco, city of Oakland, city of Berkeley, city of Piedmont and city of Emeryville.

Rate.

First 30 kilowatt hours per meter per month	8 cents per kilowatt hour
Next 270 kilowatt hours per meter per month	6 cents per kilowatt hour
All over 300 kilowatt hours per meter per month	4 cents per kilowatt hour

Minimum charge.

$1 per meter per month.

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Schedule L-2.

Cancels and supersedes schedules Nos. 100, 101, 104, 105, 106, 107, 127, 148, 153, 159, 173, 174, 202, 205, 206 outside of incorporated territory.

GENERAL LIGHTING SERVICE.

Applicable to general residence and commercial lighting service.

Territory.

Applicable to all territory without incorporated municipalities served by Pacific Gas and Electric Company's system as it existed on September 1, 1919.

Rate.

First 30 kilowatt hours per meter per month	9 cents per kilowatt hour
Next 270 kilowatt hours per meter per month	7 cents per kilowatt hour
All over 300 kilowatt hours per meter per month	5 cents per kilowatt hour

Minimum charge.

$1.20 per meter per month.

Schedule L-3.

Cancels and supersedes schedules Nos. 101, 106, 137.

GENERAL LIGHTING SERVICE.

Applicable to general residence and commercial lighting service.

Territory.

Applicable to service within the incorporated limits of city of Oakland, city of Berkeley, city of Piedmont and city of Emeryville.

Rate.

First 30 kilowatt hours per meter per month	8 cents per kilowatt hour
Next 70 kilowatt hours per meter per month	6 cents per kilowatt hour
Next 400 kilowatt hours per meter per month	5 cents per kilowatt hour
Next 1,500 kilowatt hours per meter per month	4 cents per kilowatt hour
All over 2,000 kilowatt hours per meter per month	3 cents per kilowatt hour

Minimum charge.

$1 per meter per month.

Schedule L-4.

Cancels and supersedes schedule No. 141.

GENERAL LIGHTING SERVICE.

Applicable to general residence and commercial lighting service and combination lighting and small power service.

Territory.

City and county of San Francisco.

Rate.

First 50 kilowatt hours per meter per month	8 cents per kilowatt hour
Next 250 kilowatt hours per meter per month	6 cents per kilowatt hour
Next 300 kilowatt hours per meter per month	5 cents per kilowatt hour
Next 1,400 kilowatt hours per meter per month	4.5 cents per kilowatt hour
All over 2,000 kilowatt hours per meter per month	4 cents per kilowatt hour

Minimum charge.

(1) Lighting service—85 cents per meter per month.

(2) Combination lighting and power service—85 cents per month per horsepower of active power load but not less than 85 cents per meter per month.

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Schedule L-5.

Optional lighting schedule. Cancels and supersedes schedules Nos. 185 and 186.

COMMERCIAL LIGHTING SERVICE OR COMBINED LIGHTING AND POWER SERVICE.

Applicable to lighting service with incidental power service only.

Territory.

District "A," San Francisco, as set forth in present schedule No. 185.

Rate.

First 150 kilowatt hours per meter per month	5	cents per kilowatt hour
Next 350 kilowatt hours per meter per month	4	cents per kilowatt hour
Next 500 kilowatt hours per meter per month	3.50	cents per kilowatt hour
Next 2,000 kilowatt hours per meter per month	3.25	cents per kilowatt hour
All over 3,000 kilowatt hours per meter per month	3	cents per kilowatt hour

Minimum charge.

(1) Lighting service—$3 per meter per month.

(2) Combination lighting and power service—85 cents per month per horsepower of active power load but not less than $3 per month.

Present schedules Nos. 149, 161, 180, 181, 187 and 208 as at present filed are to be refiled as schedules L-6 to L-11 inclusive, the rates to be increased by 10 per cent to include the surcharge heretofore in effect.

Schedules Nos. 147 and 158 to be refiled with energy rate increased to 3½ cents per kilowatt hour in schedule No. 147 and 4 cents per kilowatt hour in schedule No. 158 and designated as schedules L-12 and L-13.

Schedule C-1.

Cancels former Pacific Gas and Electric Company's schedules Nos. 146, 152, 160, 191, in so far as they apply to this class of service.

COMBINATION DOMESTIC LIGHTING, COOKING AND HEATING SERVICE.

Territory.

Applicable to entire former Pacific Gas and Electric Company's system.

Rate.

First 30 kilowatt hours per month per meter	*	per kilowatt hour
Next 150 kilowatt hours per month per meter	4½	cents per kilowatt hour
All over 180 kilowatt hours per month per meter	2	cents per kilowatt hour

*Top block of lighting rate applicable.

Minimum charge.

Seventy-five cents per month per kilowatt of active connected load but not less than $3 per month.

Special conditions.

(1) Where lighting service is not supplied, the first block of 30 kilowatt hours will be charged at 4½ cents per kilowatt hour.

(2) This schedule applies only where consumers have installed cooking or heating appliances other than lamp socket devices of at least 2 kilowatts capacity.

(3) The active connected cooking, heating and power load shall be taken as 100 per cent of the first 2 kilowatts installed and 50 per cent of the connected load installed in excess of 2 kilowatts, computed to the nearest one-tenth of a kilowatt, but is never to be taken as less than 2 kilowatts. Motors and instantaneous water heaters will be rated as 100 per cent active connected load. Motors aggregating not more than 5 horsepower, and not in excess of the total connected load of heating and cooking appliances, may be included on this rate and will be rated at 1 kilowatt for each horsepower of output rating. Where the connected load is so arranged that all of it can not be connected at one time, only the maximum load that can be connected will be used as a basis for the active load. All equipment will be assumed as operating at 100 per cent power factor.

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Schedule C-2.

Cancels former Pacific Gas and Electric Company's schedules Nos. 152, 146, 191, in so far as they apply to this class of service.

COMMERCIAL COOKING AND HEATING SERVICE.

Territory.

Applicable to the entire former Pacific Gas and Electric Company's system except city and county of San Francisco.

Rate.

	Per kilowatt hour
First 30 kilowatt hours per kilowatt of active connected load	4.2 cents
Next 90 kilowatt hours per kilowatt of active connected load	2.2 cents
All over 120 kilowatt hours per kilowatt of active connected load	1.75 cents

Minimum charge.

$2.50 per month for the first 5 kilowatts or less of active connected load plus $1 per kilowatt for each kilowatt of active connected load in excess of 5 kilowatts. Where the consumer signs a contract for not less than twelve consecutive months the minimum will be adjusted on a yearly basis.

Special conditions.

The active connected cooking, heating and power load shall be taken as 100 per cent of the first 2 kilowatts installed and 50 per cent of the connected load installed in excess of 2 kilowatts, computed to the nearest one-tenth of a kilowatt, but is never to be taken as less than 2 kilowatts. Motors and instantaneous water heaters will be rated as 100 per cent active connected load. Motors aggregating not more than 5 horsepower, and not in excess of the total connected load of heating and cooking appliances, may be included on this rate and will be rated at 1 kilowatt for each horsepower of output rating. Where the connected load is so arranged that all of it can not be connected at one time, only the maximum load that can be connected will be used as a basis for the active load. All equipment will be assumed as operating at 100 per cent power factor.

Schedule No. 183 to be refiled for combination lighting, heating and power service, the energy rate increased by 5 mills per kilowatt hour and designated as schedule C-3.

Schedule No. 194 as now on file to be refiled for combination lighting and power service, energy rate increased by 5 mills per kilowatt hour and designated as schedule C-4.

Schedule P-1.

Cancels schedules of former Pacific Gas and Electric system Nos. 112, 120, 121, 133, 137, 142, 143, 143-x, 144, 146, 156, 157, 157-x, 162, 163, 171, 175, 203, 209.

GENERAL COMMERCIAL AND INDUSTRIAL POWER SERVICE.

Alternating current only.

Territory.

Applicable to entire former Pacific Gas and Electric Company's system.

Rate.

Consumption per horsepower per month	Rate per kilowatt hour for active loads of 2 h.p. to 10 h.p.	11 h.p to 25 h.p.	26 h.p to 50 h.p.	51 h.p to 99 h.p
First 60 kilowatt hours	4.0 cents	3.6 cents	3.1 cents	2.6 cents
Next 60 kilowatt hours	2.1 cents	2.0 cents	2.0 cents	1.7 cents
Next 60 kilowatt hours	1.3 cents	1.3 cents	1.3 cents	1.2 cents
Over 180 kilowatt hours	1.2 cents	1.1 cents	1.0 cent	1.0 cent

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Consumption per horsepower per month				Rate per kilowatt hour for active loads of 100 h.p. to 300 h.p.	300 h.p. to 800 h.p.	800 h.p. and over
First	60	kilowatt	hours	2.2 cents	2.0 cents	1.8 cents
Next	60	kilowatt	hours	1.5 cents	1.2 cents	1.1 cents
Next	60	kilowatt	hours	1.1 cents	1.0 cent	1.9 cent
Over	180	kilowatt	hours	0.9 cent	0.9 cent	0.8 cent

Minimum charge.

(a) Connected load basis—$1 per month per horsepower of active connected load for the first 50 horsepower plus 60 cents per month per horsepower for each horsepower of load in excess of 50 horsepower, but not less than $2 per month.

(b) Maximum demand basis—$1 per month per horsepower of measured maximum demand but not less than 20 per cent of the total active connected load, and in no case less than $50 per month.

Special conditions.

(a) Installations of two or more motors in excess of 50 h.p. of total connected load may, upon request, have the rate and minimum based on the maximum demand, which is defined as the highest average load in horsepower determined for a period of fifteen minutes during the month, except for intermittent service to elevators, etc., when three-minute period may be used.

(b) Any installation may obtain the rates for larger sized installations by guaranteeing the rates and minimum under the larger installation.

Schedule P-2.

Cancelling schedules of former Pacific Gas and Electric system Nos. 115, 170, 177, 178, 179, 200, 201 and 204.

AGRICULTURAL SERVICE.

Territory.

Applicable to entire former Pacific Gas and Electric Company's system except Chico district.

Rate.

(a) For installations of less than 50 h.p.:

First 500 kilowatt hours per meter per month--- 3.2 cents per kilowatt hour
Next 500 kilowatt hours per meter per month--- 2.7 cents per kilowatt hour
Next 2,000 kilowatt hours per meter per month--- 2.2 cents per kilowatt hour
All over 3,000 kilowatt hours per meter per month, 1.7 cents per kilowatt hour

Minimum charge $7 per horsepower per year but not less than $30 per year.

(b) For installations of 30 h.p. and over:

Size of installation—horsepower	Rate, kilowatt hour	Minimum charge
30 – 49	2.2 cents	$7 00 per horsepower per year
50 – 99	1.7 cents	7 00 per horsepower per year
100 and over	1.5 cents	7 00 per horsepower per year
100 – 499	1.2 cents	14 00 per horsepower per year
500 – 1499	1.1 cents	14 00 per horsepower per year
1,500 and over	1.0 cent	14 00 per horsepower per year

Schedule P-3.

Cancels former Pacific Gas and Electric Company's schedule No. 190.

INDUSTRIAL AND MANUFACTURING POWER SERVICE.

Territory.

Applicable to entire former Pacific Gas and Electric Company's territory.

Character of service.

2200 volt alternating current.

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Rate.

(a) For maximum demands of 3000 kilowatts and less—

Demand charge:

	Per month
First 200 kilowatts of measured maximum demand	$1 70 per kilowatt
Next 300 kilowatts of measured maximum demand	60 per kilowatt
Over 500 kilowatts of measured maximum demand	50 per kilowatt

Energy charge (to be added to demand charge):

$.009 per kilowatt hour for the first 100,000 kilowatt hours per month
.008 per kilowatt hour for the next 100,000 kilowatt hours per month
.007 per kilowatt hour for all over 200,000 kilowatt hours per month

(b) For maximum demands in excess of 3000 kilowatts—

Demand charge:

$.59 per month per kilowatt of measured maximum demand.

Energy charge (to be added to the demand charge):

$.009 per kilowatt hour for the first 33⅓ k.w.h. per k.w. of maximum demand
.008 per kilowatt hour for the next 33⅓ k.w.h. per k.w. of maximum demand
.007 per kilowatt hour for all over 66⅔ k.w.h. per k.w. of maximum demand

Minimum charge.

The yearly minimum charge, which is payable in equal monthly installments, shall be equal to twelve times the maximum monthly demand charge, but in no case to be less than $6,000.

Special conditions.

(a) The maximum demand in any month shall be the average kilowatt input indicated or recorded by instruments to be furnished and installed by the company upon the consumer's premises, adjacent to watt-hour meter or meters, in the fifteen-minute interval in which the consumption of electricity is greater than in any other fifteen-minute interval in the month, or at the option of the company, the maximum demand may be determined by test.

(b) For rapidly fluctuating loads, such as hoists, elevators, welding machines, furnaces, etc., the company reserves the right to require the consumer to provide at his own expense suitable equipment to reasonably limit such fluctuations, and may base the consumer's maximum demand upon a three-minute instead of a fifteen-minute interval.

(c) This rate will be given only where the consumer will sign a contract for a term of at least three years in the original instance.

Schedule P-4.

Cancels schedule No. 118.

MINING POWER SCHEDULE.

Optional with schedule P-1.

Territory.

Applicable to all territory served by former Pacific Gas and Electric Company's system except Electra district.

Rate.

1.75 cents per kilowatt hour for power used for hoisting.
1.50 cents per kilowatt hour for power used for all other purposes

Minimum charge.

$1.15 per horsepower of the rated capacity of motors installed.

Special condition.

Service under this schedule will be at primary voltage and consumers are required to furnish the necessary transformers.

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Schedule P-5.

Cancels schedule No. 129.

MINING POWER SCHEDULE.

Optional with schedule P-1.

Territory.

Applicable to Electra district.

Rate.

1.20 cents per kilowatt hour for installations of 100 horsepower or less.
1.10 cents per kilowatt hour for installations of over 100 horsepower.

Minimum charge.

$1.20 per month per horsepower of rated capacity installed.

Schedule P-6.

Cancels schedule No. 196.

GOLD DREDGING POWER SERVICE.

Territory.

Applicable to all rural territory served.

Rate.

.95 cent per kilowatt hour.

Minimum charge.

$1 per month per horsepower.

Special conditions.

(a) Current is delivered and metered at the primary voltage.
(b) This schedule is given on basis of contract for service during period dredging is carried on.

Schedule P-7.

Cancels former Pacific Gas and Electric Company's schedule No. 189.

RESALE SERVICE.

Territory.

Applicable to all former Pacific Gas and Electric Company's territory, except within the city and county of San Francisco.

Character of service.

Alternating current at not less than 2200 volts supplied to other public utilities for distribution and resale.

Rate.

(a) When the maximum demand does not exceed 5000 kilowatts—
Demand charge:

	Per month
First 200 kilowatts of measured maximum demand	$1 70 per kilowatt
Next 300 kilowatts of measured maximum demand	60 per kilowatt
Over 500 kilowatts of measured maximum demand	50 per kilowatt

Energy charge (to be added to the demand charge):
0.8 cents per kilowatt hour for the first 100,000 kilowatt hours per month
0.7 cents per kilowatt hour for the next 100,000 kilowatt hours per month
0.6 cents per kilowatt hour for all over 200,000 kilowatt hours per month

(b) When the maximum demand exceeds 5000 kilowatts—
Demand charge:
$.554 per month per kilowatt of measured maximum demand.
Energy charge (to be added to the demand charge):
0.8 cents per kilowatt hour for the first 20 k.w.h. per k.w. of maximum demand
0.7 cents per kilowatt hour for the next 20 k.w.h. per k.w. of maximum demand
0.6 cents per kilowatt hour for all over 40 k.w.h. per k.w. of maximum demand

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Minimum charge.

The minimum yearly charge shall be an amount equal to twelve times the maximum monthly demand charge.

Special conditions.

(a) Maximum rate: In the event that the sum of the readiness-to-serve charge and the energy charge in any one month results in an average charge in excess of 1.6 cents per kilowatt hour, then the charge for that month shall be made at the rate of 1.6 cents per kilowatt hour. This provision does not apply to amounts charged to make up the minimum amount.

(b) Maximum demand: The maximum demand in any month shall be the average kilowatt input indicated or recorded by instruments to be furnished and installed by the company upon the consumer's premises, adjacent to watt-hour meter or meters, in the fifteen-minute interval in which the consumption of electricity is greater than in any other fifteen-minute interval in the month, or at the option of the company, the maximum demand may be determined by test.

(c) Contract: This rate will only be given where the consumer will sign a contract for at least three years in the original instance.

Schedule P-8.

Cancels former Pacific Gas and Electric Company's schedule No. 116.

RECLAMATION SERVICE.

Territory.

Applicable to entire former Pacific Gas and Electric Company's system.

Rate.

Demand charge—

1. For the months of January to May inclusive.
   (a) For service delivered at secondary voltage.
   $3.50 per season for the first 50 horsepower or less of connected load
   $6 per horsepower per season for the next 100 horsepower of connected load
   $5 per horsepower per season for the next 350 horsepower of connected load
   $4.50 per horsepower per season for the next 500 horsepower of connected load
   $4 per horsepower per season for all over 1000 horsepower of connected load
   (b) For service delivered at primary voltage.
   $2.50 per season for the first 50 horsepower or less of connected load
   $4.50 per horsepower per season for the next 100 horsepower of connected load
   $4 per horsepower per season for the next 350 horsepower of connected load
   $3.50 per horsepower per season for the next 500 horsepower of connected load
   $3 per horsepower per season for all over 1000 horsepower of connected load
2. For the months of June to December inclusive.
   $1 per month per kilowatt of measured maximum demand created during each month.

Energy charge (in addition to demand charges under (1) and (2))—

1.0 cents per kilowatt hour for the first 200,000 kilowatt hours per year
0.9 cent per kilowatt hour for all over 200,000 kilowatt hours per year

Special conditions.

(a) "Secondary voltage" as used in this schedule includes all voltages less than 15,000 volts at the option of the consumer.

(b) "Primary voltage" as used in this schedule includes voltages of 15,000 volts or more at the option of the company.

(c) "Connected load" as used in this schedule means the lesser of
Kilovolt ampere capacity of transformers installed.
Total horsepower of all motors that may be connected to the line at any one time, excluding auxiliary motors operating gates, priming pumps, etc., which are intermittently operated.

(d) Measured maximum demand: The maximum demand in any month shall be the average kilowatt input indicated or recorded by instruments to be furnished and installed by the company upon the consumer's premises, adjacent to watt-hour

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meter or meters, in the fifteen-minute interval in which the consumption of electricity is greater than in any other fifteen-minute interval in the month, or at the option of the company, the maximum demand may be determined by test.

(e) The seasonal demand charge (demand charge 1 (a) or (b) is payable yearly, in advance. Monthly demand charges (demand charge 2) and energy charges are payable monthly.

(f) Contract: This rate will only be given when the consumer will sign a contract for at least three years in the original instance.

Schedule No. 182 to be refiled, energy rate increased by 0.25 cents per kilowatt hour, minimum charge increased to $.85 per horsepower, and designated as schedule P-9,

Schedule P-10.

Cancels former Pacific Gas and Electric Company's schedules Nos. 164, 165.

AGRICULTURAL POWER—CHICO DISTRICT.

Service.

Applicable in the Chico district only.

Rate.

First 60 kilowatt hours per horsepower per month, 3.3 cents per kilowatt hour
Next 120 kilowatt hours per horsepower per month, 1.75 cents per kilowatt hour
All over 180 kilowatt hours per horsepower per month, 1.0 cents per kilowatt hour

Minimum charge.

$14 per horsepower per year.

Discounts (applicable to energy rates):

Five horsepower or less, net.
One per cent for each additional horsepower over 5 horsepower up to and including 20 horsepower.
One per cent for each additional 5 horsepower over 20 horsepower up to and including 70 horsepower.
Discounts apply only where energy charges exceed the minimum.

Schedule No. 163 to be refiled, excluding rate for service of less than four months, energy rate increased to 0.75 cents, and designated as schedule P-11.

Schedule No. 192 to be refiled as schedule P-12.

Schedule No. 193 to be refiled as schedule P-13.

Schedule P-14.

Optional Power Schedule.

Cancels and supersedes Pacific Gas and Electric Company's schedules Nos. 185 and 186.

POWER SERVICE OR COMBINED LIGHTING AND POWER SERVICE.

Applicable to power service with incidental lighting service only.

Territory.

District "A," San Francisco, as set forth in present schedule No. 185.

Rate.

First 150 kilowatt hours per meter per month__ 4.50 cents per kilowatt hour
Next 350 kilowatt hours per meter per month__ 3.50 cents per kilowatt hour
Next 500 kilowatt hours per meter per month__ 3.00 cents per kilowatt hour
Next 2,000 kilowatt hours per meter per month__ 2.75 cents per kilowatt hour
All over 3,000 kilowatt hours per meter per month, 2.50 cents per kilowatt hour

Minimum charge.

Eighty-five cents per month per horsepower of active power load but not less than $3 per month.

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Schedule P-15.

GENERAL COMMERCIAL SERVICE.

Schedule No. 182 to be refiled, increasing energy charge by 0.25 cents and minimum charge by 10 cents per horsepower per month and designated as schedule P-15.

Schedule No. 199 to be refiled as schedule P-16.

It is hereby further ordered, that Pacific Gas and Electric Company refile the schedules effective on the former Northern California Power Company's system, increasing the rates there in effect by the addition of the 10 per cent surcharge heretofore authorized and in effect, except in the Chico district, where Pacific Gas and Electric Company's schedules above set forth shall be applicable.

It is hereby further ordered, that Pacific Gas and Electric Company be and is hereby authorized to charge and collect for electric service rendered in the territory served by Sierra and San Francisco Power Company's system, based upon regular meter readings taken on and after the tenth day of July, 1920, for metered service, and for flat rate service rendered on and after July 1, 1920, the rates as follows:

Schedule SL-1.

Cancels former Sierra and San Francisco Power Company's schedules M, N, and O.

GENERAL LIGHTING SERVICE.

Service.

Applies to lighting service, including lamp socket appliances and small motors, not exceeding one horsepower, used in connection with lighting service.

Territory.

Applicable to the former Sierra and San Francisco Power Company's system, with the exception of the city of Modesto.

Rate.

First	50 kilowatt hours per month	10	cents per kilowatt hour
Next	250 kilowatt hours per month	8	cents per kilowatt hour
Next	300 kilowatt hours per month	6.5	cents per kilowatt hour
Next	400 kilowatt hours per month	5.5	cents per kilowatt hour
All over	1,000 kilowatt hours per month	5	cents per kilowatt hour

Minimum charge.

Within incorporated municipalties, $1 per month per meter.
Without incorporated municipalities, $1.25 per month per meter.

Schedule SL-2.

Cancels former Sierra and San Francisco Power Company's schedule B.

GENERAL LIGHTING SERVICE.

Service.

Applies to current sold for lighting and to applhances and small motors, not exceeding one horsepower, used in connection with lighting service.

Territory.

Applicable within the corporate limits of the city of Modesto.

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Rate.

First	100 kilowatt hours per month	8.5 cents per kilowatt hour
Next	200 kilowatt hours per month	7.5 cents per kilowatt hour
Next	300 kilowatt hours per month	6.5 cents per kilowatt hour
Next	400 kilowatt hours per month	5.5 cents per kilowatt hour
All over	1,000 kilowatt hours per month	4.5 cents per kilowatt hour

Minimum charge.

$1 per month per meter.

Schedule "T" to be refiled with rates increased by present 15 per cent surcharge and designated as schedule SL-3.

Schedule SC-1.

Cancels former Sierra and San Francisco Power Company's schedule C-1.

COOKING AND HEATING SERVICE.

Service.

Applicable to service supplied for electric cooking and for heating, but not for lighting.

Territory.

Applies to entire former Sierra and San Francisco Power Company's system.

Rate.

First	50 kilowatt hours per meter per month	5.3 cents per kilowatt hour
Next	100 kilowatt hours per meter per month	4.3 cents per kilowatt hour
All over	150 kilowatt hours per meter per month	3.3 cents per kilowatt hour

Minimum charge.

$3 per month per meter.

Schedule SC-2.

Cancels former Sierra and San Francisco Power Company's schedules L and N.

DOMESTIC LIGHTING, HEATING AND COOKING SERVICE.

Service.

Combined lighting, cooking and heating for residences, when the capacity of cooking equipment installed, exclusive of lamp socket appliances, is not less than five kilowatts.

Territory.

Applicable in the San Joaquin division of the former Sierra and San Francisco Power Company's system.

Rate.

First	30 kilowatt hours per month	10 cents per kilowatt hour
All over	30 kilowatt hours per month	3.5 cents per kilowatt hour

Minimum charge.

$2.50 per month per meter.

Schedule "V" to be refiled with energy rate increased to 1.8 cents per kilowatt hour, and designated as schedule SC-3.

Schedule SP-1.

Cancels former Sierra and San Francisco Power Company's schedules D-1, F, G, H, J-1.

GENERAL POWER SERVICE.

Service.

Applicable to all power installations in excess of one horsepower.

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Territory.

Applies to entire former Sierra and San Francisco Power Company's system.

Rate.

First 50 kilowatt hours per month per horsepower--- 4.4 cents per kilowatt hour
Next 100 kilowatt hours per month per horsepower--- 2.4 cents per kilowatt hour
All over 150 kilowatt hours per month per horsepower, 1.2 cents per kilowatt hour

Discount.

A discount of one per cent is allowed for each five horsepower of installed capacity up to a discount of 30 per cent. The discount does not apply unless the energy charge exceeds the minimum.

Minimum charge.

Seventy-five cents per horsepower per month or $15 per horsepower per year, at the option of the consumer.

Special conditions.

(a) The company shall not be required to furnish three-phase service to installations of less than five horsepower total capacity.

(b) A contract for one year will be required in the original instance, and, in the case of consumers choosing the annual minimum, renewals of the contract will be for one year.

(c) Consumers desiring temporary service will not be required to sign a contract, but must pay the company for all material, not salvaged, used in extending service, and for all labor installing and removing same.

The minimum charge for temporary service will be $1 per horsepower per month or fraction thereof.

Schedule SP-2.

Cancels former Sierra and San Francisco Power Company's schedule P.

Mining Power Service.

Service.

Power used in connection with mines.

Territory.

Calaveras, Tuolumne and Stanislaus counties.

Rate.

Where the rated capacity of consumer's electrical apparatus does not exceed 100 horsepower ..... 1.2 cents per kilowatt hour
Where the rated capacity of consumer's electrical apparatus exceeds 100 horsepower ..... 1.1 cents per kilowatt hour

Minimum charge.

$1.20 per month per horsepower of capacity of consumer's apparatus.

Schedule SP-3.

Cancels former Sierra and San Francisco Power Company's schedule S.

Optional Power Rate.

Service.

Applicable, at the option of the consumer, to any power service.

Territory.

Applies to the entire former Sierra and San Francisco Power Company's system.

Rate.

Demand charge—
1. Continuous service ..... $1 00 per horsepower per month
2. Seasonal service ..... 1 25 per horsepower per month (for six or more specified consecutive months).

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Energy charge—

1. To apply during months when a demand charge is paid and to be added thereto.

When the connected load is less than 10 horsepower	1.8	cents per kilowatt hour
When the connected load is 10 horsepower or more but less than 50 horsepower	1.55	cents per kilowatt hour
When the connected load is 50 horsepower or more but less than 100 horsepower	1.3	cents per kilowatt hour
When the connected load is 100 horsepower or more	1.0	cents per kilowatt hour
(2) To apply during months when no demand charge is paid (under demand charge 2)	2.8	cents per kilowatt hour

Special conditions.

Three-phase service will not be supplied to installations of less than five horsepower.

Special rates and contracts of Sierra and San Francisco Power Company on file to be continued in effect with the addition of the surcharges heretofore authorized and in effect.

It is hereby further ordered, that Pacific Gas and Electric Company shall, in the instance of special contracts heretofore authorized and in effect on the consolidated system, continue such rates, including the surcharges heretofore authorized by appropriate decision of this Commission.

It is hereby further ordered, that Pacific Gas and Electric Company be and it is hereby authorized to charge and collect for service rendered, in addition to the charges under the schedules hereinbefore set forth, and on such special rates and contracts applicable to the former Pacific Gas and Electric Company's system, Northern California Power Company's system and Sierra and San Francisco Power Company's system, the charges set forth in special contracts and rates heretofore authorized or approved by the Commission, inclusive of the surcharges heretofore authorized, a surcharge of 15 per cent upon all bills rendered, such 15 per cent surcharge to be effective for metered service based on all regular meter readings taken on or after July 10, 1920, and on or before April 10, 1921, and for flat rate service rendered beginning July 1, 1920, and ending April 1, 1921, unless otherwise ordered by this Commission.

Provided, Pacific Gas and Electric Company shall, within ten days of the date of this order, file with the Railroad Commission the schedules of rates and surcharges herein authorized.

It is hereby further ordered, that Pacific Gas and Electric Company shall set aside for the maintenance of its electric properties the sum of not less than $170,000 monthly commencing with July, 1920, the unexpended amounts thereof to be held in a reserve.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this thirtieth day of June, 1920.

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DECISION NO. 7824.

IN THE MATTER OF THE APPLICATION OF GREAT WESTERN POWER COMPANY OF CALIFORNIA FOR AN ORDER AUTHORIZING INCREASE IN RATES.

Application No. 5585.

Decided June 30, 1920.

RATE OF RETURN—COST OF MONEY. INCREASES IN.—It being conclusively shown that the cost of money obtained and expended by applicant during the last few years has been considerably in excess of that heretofore paid, a corresponding increase in rate of return is provided for capital recently invested, it being held to be essential that applicant's financial position be strongly maintained so as to enable it to complete development work at present under way and the cheaper power so produced be made available to the public at an early date.

ELECTRIC RATES—INCREASES IN—SPECIAL CONTRACTS AND SERVICE—Surcharges heretofore established not having affected rates for electric railways, municipal street lighting, etc., it is held that such classes of consumers should also bear their proportion of the increased cost of operation, not only as regards present increases but prior increases as well.

Revised schedules affecting increases of 15 per cent established to become effective for meter readings made on and after July 10, 1920, and for flat rate service on and after July 1, 1920.

Guy C. Earl and *Chaffee E. Hall*, for Applicant.

R. N. Wolfe, for city of Pittsburg.

Archibald Yell, for city of Sacramento.

George Lull and *John J. Dailey*, for city of San Francisco.

Leon Gray, for city of Oakland.

John T. York, for city of Napa.

Frank V. Cornish, for city of Berkeley.

W. J. Locke, for city of Alameda.

D. J. Hall, for city of Richmond.

I. J. Truman, for the Engels Copper Mining Company.

DEVLIN, *Commissioner*.

OPINION.

Great Western Power Company of California, hereinafter referred to as applicant, requests that the Commission authorize applicant to charge and collect such increased rates for electric service as will return a reasonable net income to it.

This application was filed on April 17, 1920, and hearings were held on May 17, 24, and on June 15 and 16, 1920. The hearings on June 15 and 16 were held by Commissioner Edgerton. I have, however, read the entire transcript of testimony of the hearings, and have considered all evidence introduced.

Applicant's electric rates were last passed upon by this Commission in Decision No. 5518 in Application No. 3460, dated June 27, 1918 (Opinions and Orders of the Railroad Commission of the State of California, Vol. 15, page 877), in which the Commission, after consideration of the evidence therein introduced, authorized Great Western Power Company to add certain surcharges to its rates, and ordered the removal of existing deviation rates.

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Applicant alleges that in 1919 it actually earned the sum of $2,893,046 for depreciation and return; that in 1920 its return will be reduced to less than $1,600,000, due to increased use of fuel oil resulting from a serious shortage of water power, which will increase its operating expenses to approximately $750,000 over 1919; to the necessity of increasing its salaries and wages by $135,000 per annum, and to further increases in costs of materials and supplies. It estimates that its gross revenues will not increase by more than $120,000 over 1919.

The surcharges authorized by the Commission in its Decision No. 5518, effective July 10, 1918, were estimated to produce an increase in revenue of $680,000 per annum. Although these surcharges were continued during the year 1919, applicant's operating expenses were substantially greater, due to a material increase in the price of oil, and in the cost of labor and supplies.

The proceeding now before the Commission is of a somewhat similar nature to that which was passed upon in Decision No. 5518, *supra*. A final basis of valuation of applicant's properties has not been made, and the consideration of reasonable rates in this instance must be limited to a comparison of past and present earnings, to the necessity of power development and to the competition existing between Great Western Power Company and Pacific Gas and Electric Company.

The net revenue for depreciation and return earned in 1917 by the consolidated properties forming the present company was $2,492,984. In 1918 the net return earned by the consolidated properties was $2,742,964. In 1919 the corresponding claim was $2,897,960. During these years, however, applicant's operative capital has been increased by approximately $600,000 per annum. In Exhibit No. 1 applicant sets forth the following table, showing the actual earnings and expense for the year 1919, and an estimate for the year 1920:

GREAT WESTERN POWER COMPANY OF CALIFORNIA.

Income Accounts for the Year 1919 and as Estimated for the Year 1920 (Water Income Eliminated).

		Year 1919		Estimated 1920 (Jan., Feb., Mar., known)
Gross income.				
Electric			$4,813,414 00	$4,847,299 00
Steam heat			241,897 00	266,000 00
Other			444 00	1,500 00
Total			$5,055,755 00	$5,114,799 00
Production expense.				
Operation	$178,526 00		$215,939 00	
Maintenance	76,226 00		140,016 00	
Purchased power	12,316 00		8,707 00	
Fuel oil	556,250 00		1,160,606 00	
Total		$823,318 00		$1,525,268 00

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Transmission expense.				
Operation	$93,526 00		$114,963 00	
Maintenance	36,059 00		36,632 00	
Total		129,585 00		151,595 00
Distribution expense.				
Operation	$161,362 00		$205,448 00	
Maintenance	129,561 00		144,297 00	
Total		290,923 00		349,745 00
Steam heat expense.				
Operation	$66,578 00		$75,574 00	
Maintenance	17,818 00		18,746 00	
Total		84,396 00		94,320 00
Commercial expense		173,457 00		198,000 00
General and miscellaneous		205,558 00		210,000 00
Taxes		403,891 00		355,000 00
Rent		22,667 00		23,000 00
Uncollectible electric bills		9,000 00		15,000 00
Writing off valuation cost		15,000 00		15,000 00
Depreciation (as set up)		360,000 00		360,000 00
Total operating expense and depreciation		$2,517,795 00		$3,296,928 00
Net revenue after depreciation		$2,537,960 00		$1,817,871 00

Careful analysis has been made of the estimates of revenue of applicant, giving consideration to the actual results for the months of January, February, and March, and, as later reported, for the month of April. It appears that applicant's estimate of revenue from commercial lighting has been somewhat low, having disregarded the effect of repeal of the "daylight saving" act. Applicant's estimate of gross revenue to be derived from the present rates and surcharges should, in my opinion, be increased to $4,890,300. Revenue from the sale of steam heat should also be increased by reason of the recent increase in the rates for this service by the Commission by $38,500 for the year.

Applicant's estimate of operating expense and maintenance for the year 1920 includes the cost of operating the Yerba Buena steam plant, which will not be operated by reason of the greater available supply of hydroelectric power than originally estimated. A deduction for this, amounting to $75,213 for oil and $20,457 for operation and maintenance, has been made.

Applicant, deducing the amount of steam power to be segregated, has assumed that, as a safeguard against contingencies this year, it would hold back in its reservoir stored water capable of producing 13,700,000 kilowatt hours in excess of its storage remaining at the beginning of this year, and would generate this amount of energy by steam. Since the original estimate was presented, weather conditions have materially improved, and the amount of power in storage on June 24 was 6,744,000 kilowatt hours in excess of applicant's original estimate.

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Our figures, therefore, have been based upon a more liberal use of stored water.

Careful analysis has also been made of the records of the company as to the water supply to its hydroelectric plants, and the possible output of the plants under varying conditions of precipitation, from which it appears reasonable to conclude that the hydroelectric output of applicant's plants for the year 1920 may reasonably be estimated to amount to 310,000,000 kilowatt hours. This is in comparison with applicant's original estimate of 302,400,000 kilowatt hours, and its estimate of energy to be used of 288,723,000. It may reasonably be taken, therefore, that applicant's hydroelectric output for the year will be 21,000,000 kilowatt hours in excess of that originally estimated.

A corresponding reduction in the steam generated energy to be produced results in a decrease in expense of $160,000 for fuel oil. With the elimination of the cost of operating the Yerba Buena plant, the estimated cost of oil, as set forth in applicant's Exhibit No. 1, is reduced from $1,160,606 to $892,400.

Although material increases have occurred in other operating costs, it does not appear that these estimates are unreasonable. Applicant's estimate of maintenance is approximately $340,000. It should set aside $28,000 per month for this item, and, in case this amount exceeds the actual cost, the balance should be reserved for future maintenance.

Applicant's net earnings from the sale of water under its agreement with the Western Canal Company will amount to $70,000 for the year, which should be included.

The following table sets forth the probable revenue and expense of Great Western Power Company for the year 1920:

Gross income.		
Electric		$4,890,300 00
Steam heat		304,500 00
Other		1,500 00
		$5,196,300 00
Water sales (net)		70,000 00
Total		$5,266,300 00
Production expense	$1,269,598 00	
Transmission expense	151,595 00	
Distribution expense	349,745 00	
Steam heat expense	94,320 00	
Commercial expense	198,000 00	
General and miscellaneous expense	210,000 00	
Rent	23,000 00	
Taxes	355,000 00	
Uncollectible electric bills	15,000 00	
Valuation expense	15,000 00	
Depreciation	360,000 00	
Total operating expense including depreciation		$3,041,258 00
		$2,225,042 00

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Some question was raised as to the propriety of including steam heating revenues in this proceeding. However, in the comparison of past and present earnings, it does not appear that there will be any material difference in the final results by including or excluding this item, especially as it appears that there is a net profit in the operation of these plants, when the electric department is charged with a reasonable portion of the cost of producing the power that is generated in the steam heat stations.

Applicant's Exhibit "C" shows that expenditures for additions and betterments during 1918 and 1919, since our previous decision, exclusive of the new transmission line and Caribou project, average approximately $625,000 per annum. It appears reasonable to include for capital invested in operative property since July, 1918, the sum of $1,000,000 upon which applicant is entitled to earn.

The cost of money used for capital expenditures at the present time is considerably in excess of the cost of money with which the larger part of applicant's system was built in the past. Under the circumstances, a higher rate of return should be allowed on capital recently invested in additions and betterments. Fixed charges to cover interest and depreciation on the additional capital will, therefore, be taken as the sum of $110,000.

On the basis that a fair return for the years of 1918 and 1919 was $2,500,000, it follows that the earnings of the company for a twelve months' period under the conditions now existing should be $2,610,000. The net revenue of $2,225,042, shown above, fails to produce this by $384,958, and the increase in gross revenue to absorb this deficiency will be $497,000, on account of the additional taxes to be paid on the increase in revenue.

Applicant is engaged in the construction of a 40,000 kilowatt hydroelectric plant on the Feather River, to be known as the Caribou development. The work on this development started early in 1919 and is expected to be completed and the plant in operation during the spring of 1921. Construction of this plant will require in total an expenditure of approximately $8,000,000. The testimony shows that applicant has had considerable difficulty in financing the development. The original estimates of cost have fallen short, due to difficulties encountered and in higher costs of all materials used. Further financing has been found necessary, and the evidence shows conclusively that it is essential that the company be maintained in a strong financial condition in order that the development may be completed and the cheaper power so produced be made available to the public at an early date.

The engineers of the Commission recommend strongly that certain modifications be made in the rate schedules of applicant, with a view

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to removing certain inconsistencies between schedules and simplify the rates, and the rates now in effect have been modified so as to embody the present surcharges into the rate schedule.

In Decision No. 5518, in which the present surcharges were made effective, no surcharge was added to certain classes of service, namely, electric railways, other electric corporations and municipal street lighting. It appears at this time that a further increase in revenue is needed; that these classes of consumers should first bear their proportion of the past increased costs before any further surcharge is added. The rates heretofore charged these classes of service should, therefore, be first increased by the amounts hereinafter set forth, placing all service on a parity, and thereafter the new surcharge added to all service and special contracts alike. This equalization requires first:

An increase in municipal street lighting of 10 per cent over existing rates.
An increase in electric railway service rates of one mill per kilowatt hour to existing rates.
And an increase to other electric corporations of one mill per kilowatt hour before the addition of the new surcharge.

This Commission in its Decision No. 7823, in Application No. 5567, this day decided, has authorized an increase in rates to the Pacific Gas and Electric Company's system of 15 per cent to apply to the revised rates and special contracts, comparable with those set forth in the decision herein, to be applied commencing in July of this year, and extending to April, 1921. A similar surcharge applied to Great Western Power Company's present rates will provide sufficient revenue to offset the present deficiency in its income, and some surplus in addition. However, in view of the activity of Great Western Power Company in developing power, the need of financing and the fact that the two companies are in direct competition, I shall recommend that the same 15 per cent increase in rates hereinafter set forth be granted to Great Western Power Company.

I submit the following form of order:

ORDER.

Great Western Power Company of California having applied to this Commission for authority to increase its electric rates, hearings having been held, the matter being submitted in so far as the present emergency feature is concerned and now ready for decision:

The Railroad Commission of the State of California hereby finds as a fact that the existing rates and surcharges of Great Western Power Company are unjust and unreasonable in so far as they differ from the rates and surcharges herein authorized, which rates and surcharges are hereby found to be just and reasonable under existing conditions.

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Basing its order on the foregoing findings of fact, and the other findings of fact contained in the opinion which precedes this order;

It is hereby ordered, that Great Western Power Company of California be and it is hereby authorized to charge and collect for electric service rendered, based upon regular meter readings taken on and after the tenth day of July, 1920, for metered service, and for flat rate service for all service rendered on and after July 1, 1920, the following schedules of rates, to wit:

Schedule L-1.

Cancels and supersedes Great Western Power Company's former schedules 101, 102, 104, 130, 201, 202, where applicable.

GENERAL LIGHTING SERVICE.

Applicable to general residence and commercial lighting service.

Territory.

Applicable within incorporated municipalities, excepting city of San Francisco, city of Oakland, city of Berkeley, city of Piedmont, city of Emeryville; counties of Butte and Plumas.

Rate.

First 30 kilowatt hours per meter per month	8 cents per kilowatt hour
Next 270 kilowatt hours per meter per month	6 cents per kilowatt hour
All over 300 kilowatt hours per meter per month	4 cents per kilowatt hour

Minimum charge.

$1 per meter per month.

Schedule L-2.

Cancels and supersedes Great Western Power Company's former schedules 101, 102, 130, 201, 202, 206, 230, where applicable.

GENERAL LIGHTING SERVICE.

Applicable to general residence and commercial lighting service.

Territory.

Applicable to all territory without incorporated municipalities.

Rate.

First 30 kilowatt hours per meter per month	9 cents per kilowatt hour
Next 270 kilowatt hours per meter per month	7 cents per kilowatt hour
All over 300 kilowatt hours per meter per month	5 cents per kilowatt hour

Minimum charge.

$1.20 per meter per month.

Schedule L-3.

Cancels and supersedes Great Western Power Company's former schedules 102, 103, 202, 203.

GENERAL LIGHTING SERVICE.

Applicable to general residence and commercial lighting service.

Territory.

Applicable to service within the incorporated limits of city of Oakland, city of Berkeley, city of Piedmont and city of Emeryville.

Rate.

First 30 kilowatt hours per meter per month	8 cents per kilowatt hour
Next 70 kilowatt hours per meter per month	6 cents per kilowatt hour
Next 400 kilowatt hours per meter per month	5 cents per kilowatt hour
Next 1,500 kilowatt hours per meter per month	4 cents per kilowatt hour
Over 2,000 kilowatt hours per meter per month	3 cents per kilowatt hour

Minimum charge.

$1 per meter per month.

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Schedule L-4.

Cancels and supersedes Great Western Power Company's former schedule 106, applicable to lighting service and combination lighting and power service.

GENERAL.

Applicable to general residence and commercial lighting service and combination lighting and small power service.

Territory.

City and county of San Francisco.

Rate.

First	50 kilowatt hours per meter per month	8 cents per kilowatt hour
Next	250 kilowatt hours per meter per month	6 cents per kilowatt hour
Next	300 kilowatt hours per meter per month	5 cents per kilowatt hour
Next	1,400 kilowatt hours per meter per month	4.5 cents per kilowatt hour
All over	2,000 kilowatt hours per meter per month,	4 cents per kilowatt hour

Minimum charge.

(1) Lighting service:

Eighty-five cents per meter per month.

(2) Combination lighting and power service:

Eighty-five cents per month per horsepower of installed active load power, but not less than 85 cents per meter per month.

Schedule L-5.

Optional lighting schedule.

Cancels and supersedes Great Western Power Company's former schedules Nos. 207, 208.

COMMERCIAL LIGHTING SERVICE OR COMBINED LIGHTING AND POWER SERVICE.

Applicable to lighting service with incidental power service only.

Territory.

District "A," San Francisco, as set forth in present schedule No. 207.

Rate.

First	150 kilowatt hours per meter per month	5.00 cents per kilowatt hour
Next	350 kilowatt hours per meter per month	4.00 cents per kilowatt hour
Next	500 kilowatt hours per meter per month	3.50 cents per kilowatt hour
Next	2,000 kilowatt hours per meter per month	3.25 cents per kilowatt hour
All over	3,000 kilowatt hours per meter per month,	3.00 cents per kilowatt hour

Minimum charge.

(1) Lighting service:

$3 per meter per month.

(2) Combination lighting and power service:

Eighty-five cents per month per horsepower of active power load, but not less than $3 per month.

Schedule L-6.

Cancels Great Western Power Company's former schedule No. 140.

GENERAL LIGHTING.

Applicable to residence and commercial lighting and combination lighting and small power service.

Territory.

Counties of Butte and Plumas.

Rate.

First	50 kilowatt hours per month	11 cents per kilowatt hour
Next	250 kilowatt hours per month	9 cents per kilowatt hour
Next	700 kilowatt hours per month	7 cents per kilowatt hour
All over	1,000 kilowatt hours per month	6 cents per kilowatt hour

Minimum charge.

$1.50 per month per meter.

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Schedule L-7.

SIGN, WINDOW AND DECORATIVE LIGHTING SERVICE.

Schedule No. 401 to be refiled including heretofore authorized surcharges and designated as schedule L-7.

Schedule L-8.

COMMERCIAL SIGN, WINDOW AND DECORATIVE LIGHTING SERVICE.
(Optional.)

Schedule No. 402 to be refiled including heretofore authorized surcharges and designated as schedule L-8.

Schedule L-9.

MUNICIPAL STREET LIGHTING SERVICE.

Schedule No. 730 to be refiled, increasing charge by 10 per cent, and designated as schedule L-9.

Schedule C-1.

Cancels Great Western Power Company's former schedules 301 and 302.

DOMESTIC LIGHTING, COOKING AND HEATING.

Territory.

Applicable to entire Great Western Power Company's system.

Rate.

First 30 kilowatt hours per month per meter----	*	per kilowatt hour
Next 150 kilowatt hours per month per meter----	4½ cents	per kilowatt hour
All over 180 kilowatt hours per month per meter--	2 cents	per kilowatt hour

* Top block of lighting rate applicable.

Minimum charge.

Seventy-five cents per month per kilowatt of active connected load, but not less than $3 per month.

Special conditions.

(1) Where lighting service is not supplied the first block of 30 kilowatt hours will be charged at 4½ cents per kilowatt hour.

(2) This schedule applies only where consumers have installed cooking or heating appliances other than lamp socket devices of at least 2 kilowatt capacity.

Schedule C-2.

Cancels Great Western Power Company's former schedules Nos. 104, 301, 302, 303, 304, where applicable.

COMMERCIAL COOKING AND HEATING SERVICE.

Territory.

Applicable to the entire Great Western Power Company's system, except city and county of San Francisco.

Rate.

	Per kilowatt hour
First 30 kilowatt hours per kilowatt of active connected load------	4.2 cents
Next 90 kilowatt hours per kilowatt of active connected load------	2.2 cents
All over 120 kilowatt hours per kilowatt of active connected load--	1.75 cents

Minimum charge.

$2.50 per month for the first 5 kilowatts or less of active connected load plus $1 per kilowatt for each kilowatt of active connected load in excess of 5 kilowatts.

When this rate is applied to commercial heating service of a seasonal nature, such as air heating, incubating, brooding, etc., the minimum charge will be on a yearly instead of a monthly basis.

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Schedule C-3.

WATER HEATING SERVICE (Controlled).

Schedule No. 305 to be refiled including energy charge of 3 mills per kilowatt hour in addition to flat rate, and designated as schedule C-3.

Schedule P-1.

Cancels Great Western Power Company's former schedules Nos. 500, 500-D, 502, 503, 504, 505, 508, 509, 510, 514, 516, 519, 530, 531, 532.

GENERAL POWER SERVICE.

Service.

Alternating current only.

Territory.

Applies to the entire Great Western Company's system.

Rate.

Consumption per horsepower per month	Rate per kilowatt hour for active load of 3 h.p. to 10 h.p.	11 h.p. to 25 h.p.	26 h.p. to 50 h.p.	51 h.p. to 99 h.p.
First 60 kilowatt hours	4.0 cents	3.6 cents	3.1 cents	2.6 cents
Next 60 kilowatt hours	2.1 cents	2.0 cents	2.0 cents	1.7 cents
Next 60 kilowatt hours	1.3 cents	1.3 cents	1.3 cents	1.2 cents
Over 180 kilowatt hours	1.2 cents	1.1 cents	1.0 cent	1.0 cent

Consumption per horsepower per month	Rate per kilowatt hour for active load of 100 h.p. to 300 h.p.	300 h.p. to 800 h.p.	800 h.p. and over
First 60 kilowatt hours	2.2 cents	2.0 cents	1.8 cents
Next 60 kilowatt hours	1.5 cents	1.2 cents	1.1 cents
Next 60 kilowatt hours	1.1 cents	1.0 cent	0.9 cent
Over 180 kilowatt hours	0.9 cent	0.9 cent	0.8 cent

Minimum charge.

(*a*) Connected load basis.

$1 per month per horsepower of active connected load for the first 50 horsepower, plus 60 cents per month per horsepower for each horsepower of load in excess of 50 horsepower, but not less than $2 per month.

(*b*) Maximum demand basis.

$1 per month per horsepower of measured maximum demand but not less than 20 per cent of the total active connected load and in no case less than $50 per month.

Special conditions.

(*a*) Installations of two or more motors in excess of 50 horsepower of total connected load may, upon request, have the rate and minimum based on the maximum demand which is defined as the highest average load in horsepower determined for a period of fifteen minutes during the month except for intermittent service to elevators, etc., when three-minute period may be used.

(b) Any installation may obtain the rates for larger sized installations by guaranteeing the rates and minimum under the larger installation.

Schedule P-2.

Cancels Great Western Power Company's former schedules Nos. 506, 533, 534.

AGRICULTURAL POWER SERVICE.

Territory.

Applicable to all territory except counties of Butte and Plumas.

Rate.

	Per kilowatt hour
First 50 kilowatt hours per horsepower per month	3.25 cents
Next 150 kilowatt hours per horsepower per month	2 cents
All over 200 kilowatt hours per horsepower per month	1 cent

Minimum charge.

$7 per horsepower per year but not less than $30 per year.

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Schedule P-3.

Cancels Great Western Power Company's former schedule No. 507.

COMBINED IRRIGATION AND RECLAMATION POWER SERVICE.

Service.

Primary voltage delivery (50 horsepower and over).

Territory.

Applicable to all territory except counties of Butte and Plumas.

Rate.

1.2 cents per kilowatt hour.

Minimum charge.

$14 per annum per horsepower of connected load but not less than $700.

Special conditions.

This schedule provides that the consumer must furnish all apparatus and equipment necessary for the use of energy at such primary voltage, and the meters will be installed on the primary side of the transformers except that the consumer may have the meters placed on the secondary side by agreeing to an increase of 2½ per cent on the rate as set forth above.

This schedule is an optional schedule to the regular irrigation and reclamation service rates applying in the territory served.

Schedule P-4.

RECLAMATION SERVICE.

Territory.

Applicable to entire territory served by company.

Rate.

Demand charge:

1. For the months of January to May inclusive.

a. For service delivered at secondary voltage.

$350 00 per season for the first 50 horsepower or less of connected load
6 00 per horsepower per season for the next 100 h.p. of connected load
5 00 per horsepower per season for the next 350 h.p. of connected load
4 50 per horsepower per season for the next 500 h.p. of connected load
4 00 per horsepower per season for all over 1000 h.p. of connected load

b. For service delivered at primary voltage.

$250 00 per season for the first 50 horsepower or less of connected load
4 50 per horsepower per season for the next 100 h.p. of connected load
4 00 per horsepower per season for the next 350 h.p. of connected load
3 50 per horsepower per season for the next 500 h.p. of connected load
3 00 per horsepower per season for all over 1000 h.p. of connected load

2. For the months of June to December inclusive.

$1 per month per kilowatt of measured maximum demand created during each month.

Energy charge (in addition to demand charges under 1 and 2):

1.0 cent per kilowatt hour for the first 200,000 kilowatt hours per year.
0.9 cent per kilowatt hour for all over 200,000 kilowatt hours per year.

Special conditions.

(*a*) "Secondary voltage" as used in this schedule includes all voltage less than 15,000 volts at the option of the consumer.

(*b*) "Primary voltage" as used in this schedule includes voltages of 15,000 volts or more at the option of the company.

(*c*) "Connected load" as used in this schedule means the lesser of

Kilovolt ampere capacity of transformers installed.

Total horsepower of all motors that may be connected to the line at any one time, excluding auxiliary motors operating gates, primary pumps, etc., which are intermittently operated.

(*d*) Measured maximum demand. The maximum demand in any month shall be the average kilowatt input indicated or recorded by instruments to be furnished and installed by the company upon the consumer's premises adjacent to watt-hour

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meter or meters in the fifteen-minute interval in which the consumption of electricity is greater than in any other fifteen-minute interval in the month, or at the option of the company, the maximum demand may be determined by test.

(*e*) The seasonal demand charge (demand charge 1 *a* or *b*) is payable yearly in advance. Monthly demand charges (demand charge 2) and energy charges are payable monthly.

(*f*) Contract. This rate will only be given when the consumer will sign a contract for at least three years in the original instance.

Schedule P-5.

PREFERENTIAL MINIMUM FOR SEASONAL POWER SERVICE.

Schedule No. 511 to be refiled and designated as schedule P-5.

Schedule P-6.

GENERAL TEMPORARY SERVICE.

Schedule No. 512 to be refiled and designated as schedule P-6.

Schedule P-7.

ELECTRO-CHEMICAL AND ELECTRO-METALLURGICAL SERVICE.

Schedule No. 513 to be refiled, increasing charge from $2.50 per month per kilowatt of maximum demand to $3.00 per kilowatt of maximum demand, and designated as schedule P-7.

Schedule P-8.

GENERAL COMMERCIAL SERVICE.

Schedule No. 520 to be refiled, increasing energy charge by 5 mills per kilowatt hour, and designated as schedule P-8.

Schedule P-9.

Cancels Great Western Power Company's former schedules 514 and 521.

GENERAL COMMERCIAL SERVICE.

Schedule No. 521 to be refiled, increasing energy charge by 0.25 cent per kilowatt hour and minimum charge by 10 cents per horsepower per month, and designated as schedule P-9.

Schedule P-10.

GENERAL POWER SERVICE.

Schedule No. 540 to be refiled, increasing rate by 2 mills per kilowatt hour, and designated as schedule P-10.

Schedule P-11.

GENERAL POWER SERVICE.

Schedule No. 541 to be refiled, increasing energy rate by 2 mills per kilowatt hour, and designated as schedule P-11.

Schedule P-12.

Optional power schedule.

Cancels and supersedes Great Western Power Company's former schedules Nos. 207, 208.

POWER SERVICE OR COMBINED LIGHTING POWER SERVICE.

Applicable to power service with incidental lighting service only.

Territory.

District "A" San Francisco, as set forth in present schedule No. 207.

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Rate.

First 150 kilowatt hours per meter per month	4.50 cents per kilowatt hour
Next 350 kilowatt hours per meter per month	3.50 cents per kilowatt hour
Next 500 kilowatt hours per meter per month	3.00 cents per kilowatt hour
Next 2000 kilowatt hours per meter per month	2.75 cents per kilowatt hour
All over 3000 kilowatt hours per meter per month	2.50 cents per kilowatt hour

Minimum charge.

Eighty-five cents per month per horsepower of active power load but not less than $3 per month.

It is hereby further ordered, that Great Western Power Company of California be and the same is hereby authorized to increase the rates set forth in its special rates and contracts now in effect by the addition of the surcharges heretofore authorized in Decision No. 5518.

It is hereby further ordered, that Great Western Power Company of California be and it is hereby authorized to increase its present rates for electric service for municipal street lighting, electric railway power, and for sale to other utilities, by the following:

Municipal street lighting	10 per cent
Electric railway service	1 mill per kilowatt hour
Rates for sale to other public utilities for resale, including municipal utilities	1 mill per kilowatt hour

It is hereby further ordered, that Great Western Power Company of California be and the same is hereby authorized to charge and collect, in addition to the rates and charges hereinbefore set forth, an additional charge of 15 per cent of the monthly bills, to be effective for metered service based upon regular meter readings taken on or after July 10, 1920, and on or before April 10, 1921, and for flat rate service rendered beginning July 1, 1920, and ending April 1, 1921.

Provided, Great Western Power Company shall, within ten days of the date of this order, file with the Railroad Commission the schedules of rates and surcharges herein authorized.

It is hereby further ordered, that Great Western Power Company of California shall set aside for the maintenance of its properties the sum of not less than $28,000 per month commencing July 1, 1920, the unexpended amounts thereof to be held in reserve in case the actual maintenance cost does not equal this amount.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this thirtieth day of June, 1920.

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DECISION NO. 7825.

IN THE MATTER OF THE APPLICATION OF UNION NATIONAL BANK OF PASADENA FOR AUTHORITY TO CONVEY GAS PLANTS AT BEAUMONT AND BANNING TO TWIN CITIES GAS COMPANY AND OF TWIN CITIES GAS COMPANY TO ACQUIRE SAID PROPERTIES, TO ISSUE STOCK AND BONDS AND TO EXERCISE FRANCHISE RIGHTS UNDER FRANCHISES OWNED BY J. M. BERKLEY, AND OF J. M. BERKLEY FOR AUTHORITY TO CONVEY SAID FRANCHISE RIGHTS TO SAID GAS COMPANY.

Application No. 5818.

Decided July 8, 1920.

Gibson, Dunn and Crutcher, by *S. M. Haskins*, for Applicants.

BRUNDIGE, *Commissioner.*

OPINION.

The Railroad Commission is asked to make an order:

1. Authorizing Union National Bank of Pasadena to sell, and Twin Cities Gas Company to purchase, gas plants in the cities of Beaumont and Banning, including all the properties appertaining to such gas plants.

2. Authorizing Twin Cities Gas Company to execute a mortgage and trust deed to secure the payment of an authorized issue of $100,000 of 6 per cent bonds.

3. Authorizing Twin Cities Gas Company to issue $45,500 of 6 per cent bonds and $25,000 of stock for the purposes hereinafter indicated.

4. Declaring that public convenience and necessity require the exercise of the rights and privileges granted by the cities of Beaumont and Banning in franchises obtained by J. M. Berkley and to be transferred and assigned by him to Twin Cities Gas Company.

Reference is here made to Decision No. 6725, dated October 2, 1919 (Application No. 4951), in which the Commission considered the reconstruction of the gas plant at Beaumont and distributing systems in Beaumont and Banning; established rates to be charged for gas in Beaumont and Banning and granted conditional authority to issue $25,000 of stock and $42,500 of bonds to cover the acquisition and reconstruction of the gas plants and distributing systems. The order in Decision No. 6725, dated October 2, 1919, reads in part as follows:

It is hereby ordered, that Union National Bank of Pasadena be, and it is hereby, granted authority to convey all the properties referred to in the petition herein and in exhibits filed at the hearing to a corporation to be hereafter organized and said corporation, when organized, is hereby authorized to acquire said properties and to issue in payment therefor, and for such other purposes as the Railroad Commission may authorize, $25,000 par value of common capital stock and $42,500 face value of 20-year 6 per cent bonds, provided that this order will not become effective until there has been filed with the Commission for approval, a verified copy of the articles of incorporation, copies of the franchises obtained from the cities of Beaumont and Banning, copy of the proposed deed of trust securing

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the $42,500 of bonds, and a supplemental order or orders authorizing the corporation to be hereafter organized to issue $25,000 of stock and $42,500 of 20-year 6 per cent bonds, approving the proposed mortgage and declaring that public convenience and necessity require the exercise of the franchise rights and privileges obtained from the cities of Beaumont and Banning, made.

Following the Commission's decision of October 2, 1919, approximately $27,000 has been expended under the supervision of J. M. Berkley to reconstruct and rebuild the gas plant and system and put it in good operating condition. The plant was put in operation during January, 1920, and there are now about 325 consumers connected with the system, 125 of whom reside in Beaumont and 200 in Banning.

The Union National Bank of Pasadena acquired the properties formerly owned by Riverside County Gas and Power Company at foreclosure sale. In an exhibit introduced in Application No. 4951, J. M. Berkley estimated the value of the useful property at $33,086.63. Adding to this the amount, $27,000, expended in reconstructing the properties, makes a total of $60,086.63. Twin Cities Gas Company asks permission to issue to Union National Bank of Pasadena $24,700 of stock and $15,000 of bonds in payment for the gas plants as they existed prior to their reconstruction. The bank has also agreed to purchase $30,500 of Twin Cities Gas Company's bonds, to cover the cost of reconstructing the gas plants.

Twin Cities Gas Company has filed with the Commission a copy of its proposed mortgage and deed of trust, securing the payment of an authorized issue of $100,000 of 6 per cent bonds due May 1, 1940. As indicated at the hearing, the proposed mortgage and deed of trust is not in satisfactory form and it is expected that the company will file a revised copy. Not until such copy, satisfactory in form to the Commission, has been filed can a final order be made in this proceeding.

Twin Cities Gas Company has filed with the Commission a certified copy of the franchise (Ordinance 109) granted to J. M. Berkley by the city of Banning, also a copy of the franchise (Ordinance No. 73) granted to J. M. Berkley by the city of Beaumont. J. M. Berkley intends to assign these franchises to Twin Cities Gas Company, which will exercise the rights and privileges granted by such franchises.

I herewith submit the following form of order:

ORDER.

Union National Bank of Pasadena, having applied to the Railroad Commission to transfer gas plant and distributing systems in the cities of Beaumont and Banning to Twin Cities Gas Company, and Twin Cities Gas Company having joined in the application and having asked permission to issue stock and bonds and exercise the rights and privileges granted by franchises referred to in the foregoing opinion, and

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the Railroad Commission being of the opinion that the money, property or labor to be procured or paid for by Twin Cities Gas Company through the issue of the stock and bonds herein authorized, is reasonably required and that the expenditures for such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income;

It is hereby ordered, that Union National Bank of Pasadena be and it is hereby authorized to sell and transfer to Twin Cities Gas Company, and Twin Cities Gas Company is hereby authorized to purchase the properties, gas plant and systems referred to in this application and more particularly described in Exhibit No. 1 attached hereto.

It is hereby further ordered, that Twin Cities Gas Company be and it is hereby authorized to issue $25,000 of its stock and $45,500 of bonds, provided that none of the bonds be issued until the Commission, by supplemental order, has authorized said company to execute a mortgage and deed of trust securing the payment of the bonds.

The authority herein granted is subject to further conditions as follows:

1. Of the stock herein authorized to be issued, $24,700, and of the bonds, $15,000, may be issued to Union National Bank of Pasadena in full payment for the properties referred to in paragraph V of the petition herein.

2. Of the stock herein authorized to be issued, $300 shall be sold at not less than par; and of the bonds, $30,500 at not less than ninety per cent of their face value, plus accrued interest, and the proceeds used to pay for the reconstruction of the gas plant and distributing systems referred to in this application; and for the payment of the construction of additions and betterments referred to in this application or notes issued for the purpose of securing funds to pay for such reconstruction, additions and betterments.

3. The consideration at which the transfer of the properties is herein authorized shall not be urged before this Commission or any other public body as a measure of the value of said properties for the purpose of fixing rates or for any purpose other than the transfer herein authorized.

4. The authority herein granted to issue bonds will not become effective until Twin Cities Gas Company has paid the fee prescribed by the Public Utilities Act.

5. Twin Cities Gas Company shall keep such record of the issue and sale of the stock and bonds herein authorized and of the disposition of the proceeds as will enable it to file on or before the twenty-fifth day of each month a verified report as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

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6. The authority herein granted will apply only to such stock and bonds as may be issued on or before November 1, 1920.

The Railroad Commission hereby declares that public convenience and necessity require the exercise by Twin Cities Gas Company of the rights and privileges conferred by Ordinance No. 109 of the city of Banning, adopted January 13, 1920, and by Ordinance No. 73 of the city of Beaumont, adopted December 12, 1919, provided that Twin Cities Gas Company shall first have filed with the Railroad Commission a stipulation duly authorized by its Board of Directors declaring that Twin Cities Gas Company, its successors and assigns, will never claim before the Railroad Commission or any court or other public body, a value for said rights and privileges in excess of the amount actually paid to the cities of Banning and Beaumont respectively, as the consideration for the granting of such franchises, which stipulation shall contain the amount paid to said cities, and shall have received from the Railroad Commission a supplemental order declaring that such stipulation has been filed in form satisfactory to the Railroad Commission.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this eighth day of July, 1920.

EXHIBIT NO. 1.

The properties which are hereby authorized to be transferred consist of

Lots four (4), five (5), and six (6) in block one hundred forty-two (142), of the town (now city) of Beaumont, county of Riverside, State of California, as per amended map of said town, recorded February 27, 1888, in Book 6, pages 16 and 17 of Maps, Records of San Bernardino County, California.

And also lot five (5) of Boone and Johnson's subdivision of blocks 33 and 34 of the Banning Colony Lands in the city of Banning, county of Riverside, State of California, as shown by map of said subdivision on file in Book 6, page 10 of Maps, Records of Riverside County, California, excepting therefrom the following described portion thereof:

Beginning at the northeast corner of said lot five (5); thence west along the north line of said lot 25 feet; thence at right angles south and parallel with the east line of said lot, 75 feet; thence at right angles east and parallel with the north line of said lot 25 feet; and thence north along the east line of said lot 75 feet to the point of beginning.

Also excepting therefrom the following described portion: Beginning at a point on the north line of said lot five (5), 12 feet easterly from the northwest corner thereof; thence easterly along the north line of said lot five (5), 95 feet; thence southerly at right angles 95 feet; thence westerly at right angles 95 feet; thence northerly at right angles 95 feet to the point of beginning; and containing 0.2 of an acre, more or less;

Together with all gas works, plants, buildings, structures, transmission and distribution lines, services, meters, materials and supplies, and all other property, real, personal and mixed, of any and every kind and character, referred to in application number 5818.

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DECISION NO. 7826.

IN THE MATTER OF THE APPLICATION OF INTERSTATE GAS COMPANY FOR AN ORDER AUTHORIZING THE ISSUE OF STOCK.

Application No. 5505.

IN THE MATTER OF THE APPLICATION OF C. E. PARIS, AS COMMISSIONER, TO SELL THE PROPERTIES OF THE IMPERIAL VALLEY GAS COMPANY, FOR AN ORDER AUTHORIZING SAID SALE OF SAID PROPERTIES, AND TO TRANSFER TITLE TO THE PURCHASER AT SALE, AND FOR SUCH OTHER ORDER AS MAY BE MEET.

Application No. 5870.

Decided July 8, 1920.

JURISDICTION—FORECLOSURE PROCEEDINGS—CREDITORS, RIGHTS OF.—In a proceeding authorizing the sale and acquisition of the properties of a bankrupt gas corporation and the issuance of securities therefor, this Commisson has no jurisdiction to adjudicate the rights of various classes of creditors of the bankrupt company nor to determine how the proceeds of the securities authorized shall be apportioned among them.

J. Stewart Ross and *R. B. Whitelaw*, by *R. B. Whitelaw*, for Applicants.

BY THE COMMISSION.

OPINION.

In Application No. 5870, the Railroad Commission is asked to make an order authorizing the sale and transfer of all of the properties of Imperial Valley Gas Company, to whomsoever may purchase the properties at foreclosure sale and authorizing the purchaser of said properties to sell and transfer them to the Interstate Gas Company. A description of the properties is contained in Exhibit "1" attached hereto.

In Application No. 5505, Interstate Gas Company asks permission to acquire said properties and issue stock in payment therefor.

At the hearing held before Examiner Westover at El Centro, no one appeared to protest against the granting of applicants' request.

Imperial Valley Gas Company was organized in 1908. On January 6, 1920, C. E. Paris was appointed receiver by the superior court in and for Imperial County, and since then the properties have been operated by him. In Application No. 5653, C. E. Paris as receiver, on behalf of Imperial Valley Gas Company, asked permission to discontinue service or increase rates charged for gas. The Commission, in Decision No. 7744, dated June 19, 1920, does not approve at this time of the discontinuance of service but does authorize the receiver to increase rates to cover increased cost of operation. From the Commission's Decision No. 7744, as well as from former decisions, it appears that the properties of Imperial Valley Gas Company, taken as a whole, are in poor operating condition and that the making of certain improvements is imperative.

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For the purpose of fixing rates, the estimated historical reproduction cost of the properties, was fixed at $200,000. The Commission, however, qualifies the estimated reproduction cost of the properties on account of their rundown condition, and their inefficient operation, and believes that under present conditions it does not seem reasonable to establish a rate which would yield a full return. The discussion of the present condition of these properties in Decision No. 7744, dated June 19, 1920, to which reference is here made, makes it unnecessary to further consider the condition of the properties in this opinion.

Imperial Valley Gas Company reports $100,000 of 6 per cent first mortgage, and $72,000 of first and refunding bonds, outstanding. Interest payments are overdue, and as a result of such default the properties have been ordered sold by the court appointing the receiver.

The record shows that it is W. F. Holt's intention to acquire directly or indirectly the properties at the foreclosure sale and transfer them to the Interstate Gas Company, a newly organized corporation, of which he is president. It occurs to us that the Interstate Gas Company should not issue more than $150,000 of its common stock to acquire and fully pay for all of the properties now owned by Imperial Valley Gas Company.

No doubt the court, under whose direction the properties are being sold, will determine how the proceeds are to be distributed. In any event, it should be understood that this Commission can not adjudicate the rights of the various classes of creditors.

ORDER.

Application having been made to the Railroad Commission for an order authorizing the sale and transfer of the properties of Imperial Valley Gas Company, and for an order authorizing the issue of stock by Interstate Gas Company, a public hearing having been held and the Railroad Commission being of the opinion that this application should be granted subject to the conditions of this order;

It is hereby ordered, that Imperial Valley Gas Company be and it is hereby authorized to sell all of its properties, more particularly described in Exhibit "1" attached hereto, to whomsoever may purchase such properties at the foreclosure sale, and said purchaser be and he is hereby authorized to acquire all of said properties and sell all of said properties to Interstate Gas Company.

It is hereby further ordered, that Interstate Gas Company be and it is hereby authorized to acquire all of the properties now owned by Imperial Valley Gas Company, from whomsoever may purchase such properties at the foreclosure sale and issue in full payment for all of said properties $150,000 of its common capital stock.

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The order herein granted is subject to the following conditions:

1. The consideration herein authorized to be paid by Interstate Gas Company for the properties now owned by Imperial Valley Gas Company shall not be urged before this Commission, or any other public body, as a measure of value of said properties for the purpose of fixing rates or any purpose other than the transfer herein authorized.

2. The authority herein granted shall not be interpreted as permitting the discontinuance of any service now rendered by Imperial Valley Gas Company or by C. E. Paris, receiver, nor shall it be interpreted as permitting Interstate Gas Company to purchase only part of the properties now owned by Imperial Valley Gas Company.

3. Within thirty days after its execution, Interstate Gas Company shall file with the Railroad Commission a copy of the deed under which the purchaser of the properties of Imperial Valley Gas Company obtains title, and also a copy of the deed under which Interstate Gas Company obtains title to the properties herein authorized to be sold and transferred.

4. The Interstate Gas Company shall keep such record of the issue and sale of the stock herein authorized and of the disposition of the proceeds as will enable it to file on or before the twenty-fifth day of each month a verified report as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

5. The authority herein granted will apply only to such stock as may be issued on or before December 1, 1920.

Dated at San Francisco, California, this eighth day of July, 1920.

EXHIBIT "1."

In the "Notice of Commissioner's Sale," a copy of which is attached to the petition in Application No. 5870, the properties of Imperial Valley Gas Company ordered sold, and the transfer of which is herein authorized, are described as follows:

"All lands, rights of way, franchises, pipe lines, gas plants, machinery, fixtures, and all and any property, real and personal, belonging to the grantor, and with more particularity described as follows: That certain real estate lying, being and situate in the city of El Centro, county of Imperial, State of California, and more particularly described as follows:

"A plot of land being a part of lot 10, in block 1 of the town of El Centro, described as follows: Beginning at a point 300 feet east of the southwest corner of said lot 10, in said block 1, thence running from said point north 275 feet, thence east 50 feet, thence north to the right of way of the Holton Interurban Railway Company, thence east along the south edge of the said right of way 150 feet, thence due south to Commercial avenue, being the south line of said lot 10 in said block 1, thence west along the south line of said lot to the place of beginning.

"Together with all improvements.

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"Also that certain real estate, lying, being and situate in the city of Imperial, county of Imperial, State of California, more particularly described as follows:

"Lots three (3) in block seventy-four (74) according to the map of the resubdivision of blocks 67 to 88, both inclusive, of the city of Imperial, said map being on file in the recorder's office of said county, May 16, 1902, and is numbered 885; together with all improvements.

"Also, that certain real estate lying, being and situate in the city of Brawley, county of Imperial, State of California, more particularly described as follows:

"Lots fifteen (15) in block fifty-six (56) in the townsite (now city of Brawley), in the county of Imperial (formerly part of the county of San Diego), State of California, according to the official map thereof No. 920 on file in the recorder's office of San Diego County, California. Together with all improvements.

"Also all rights of way, granted by the Holton Power Company to the Imperial Valley Gas Company, over and across the property of the Holton Power Company, in the county of Imperial, State of California, as per deed of right of way, recorded on the 19th day of April, 1909, in book 27, at page 144, of deeds, Imperial County records, and all rights of way granted by the Holton Interurban Railway Company to Imperial Valley Gas Company, along and over any and all property of the Holton Interurban Railway Company, as per deed of right of way recorded on the 19th day of April, 1909, in book 27, page 143 of deeds, Imperial County records.

"Also all franchises, rights of way as deeded by the Imperial Land Company to Imperial Valley Gas Company, granting all the franchises and privileges of said Imperial Land Company over and across the streets and alleys of the towns of El Centro, Imperial, Brawley, Calexico and Heber, for the construction, laying, operating, maintaining of gas plants and systems, consisting of pipe lines, conduits and any and all means of distributing gas for fuel, lighting, power and other purposes, as is more particularly set forth and recorded in book 66, at page 38 of deeds of Imperial County records.

"Also a franchise deeded by the Holton Power Company to the Imperial Valley Gas Company, granting all of the franchises, privileges of said Holton Power Company over and across the streets and alleys of the town of Holtville, for the construction, operation, laying and maintaining of pipes and pipe lines, for the conduct of gas for lighting, power and heating and other purposes, and

"A franchise deeded by the El Centro Land Company to the Imperial Valley Gas Company, granting all of the franchises and privileges of said El Centro Land Company over and across the streets and alleys of the town of El Centro for the construction, laying, operating and maintaining pipes and pipe lines for the conducting of gas for lighting, heating and power, and other purposes and

"A permit from Imperial County to Imperial Valley Gas Company, under date of February 3, 1913, permitting Imperial Valley Gas Company to lay, construct and maintain a system of pipes and pipe lines under and across the public roads and highways of said Imperial County, as is more particularly set forth in the Minutes of the Board of Supervisors of Imperial County, on the 3d day of February, 1913.

"And all other property, either real or personal, not heretofore set forth, which may come into the hands or possession of, or under the control of the receiver, C. E. Paris, pending the hearing hereof.

"Also the following described personal property:

1 1500-barrel oil storage tank.
2 6ft. 6in. x 20ft. gas generators.
2 6ft. 6in. by 5ft. seals or washers.
1 28ft. 6in. x 5ft. 2in. compression tank.
2 6ft. 6in. by 18in. water scrubbers.
1 oil scrubber, size 20ft. high x 6ft. 6in. diameter.
2 12in. by 13in. purifiers.
1 41ft. 6in. x 26in. single lift gas holder of 30,000 cubic feet capacity, inner shell 38ft. in diameter, 25ft. 6in. deep with steel I-beam standards, latticed girders, tank guides and connection.
1 Nilgus oil pump.
1 Laidlaw-Dunn steam compressor.
2 belt-driven Franklin O. compressors.
2 20-horsepower 220-volt, 3-phase electric motors.
2 10-horsepower 220-volt, 3-phase electric motors.
1 3-horsepower 220-volt, 3-phase electric motor.
2 Sturivant blowers.
1 Centrifugal water pump.

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1 100-horsepower boiler.
1 75-horsepower boiler.
2 feed water pumps.
2 Worthington oil meters.
4 Fulton pressure regulators.
1 Reynolds pressure regulator.
1 Austin excavator.
19 miles of 2in. iron and steel pipe used for transmitting gas from El Centro to Imperial, and from El Centro to Brawley.
1½ miles of 1in.; 6½ miles of 2in. iron and steel pipe used for the distribution of gas in the town of Brawley.
1.7 miles of 1in. pipe.
11 miles of 2in. pipe.
.4 mile of 3in. pipe.
.2 mile of 6in. iron and steel pipe used for the distribution of gas in the town of El Centro.
4½ miles of 2in. pipe.
½ mile of 4in. pipe.
1.1 mile of 1in. iron and steel pipe used for the distribution of gas in the town of Imperial.
All 3in., 2in., 1½in., 1¼in., 1in., and ¾in. iron and steel pipe laid in and used as service pipe from main to proper line in the towns of Brawley, El Centro, and Imperial.
1275 gas meters.
1050 low-pressure Reliance gas regulators.
25 Reliance high-pressure regulators.
14 gas heating stoves, together with miscellaneous small tools and fittings used in the manufacturing and distributing department.
3 Ford automobiles with material bodies.
1 Ford 5-passenger automobile.
1 meter prover.
1 office counter, fitted with drawers and stationary cupboards.
1 roll-top typewriter desk.
1 small typewriter table.
1 double bookkeeper's desk.
1 Burroughs adding machine.
1 Underwood typewriter.
3 office chairs.
1 office stool.
1 Hall safe.
9 gas arc lights.
1 16in. O. C. Western electric fan.

"All lands, rights of way, franchises, pipe lines, gas plant, machinery, fixtures and any and all other property, real and personal, belonging to the grantor, and all property acquired subsequent to the first day of January, 1909, which was or which has been connected with all or any of the towns of El Centro, Imperial, Brawley, Calexico, Holtville, in the county of Imperial, State of California, including all additions to or renewals, or improvements, or betterments and all or any of such property in or connected with all or any of such towns together with the rents, issues, and profits of each and all of said property.

"All pipe lines, equipment and all equipment constructed by said Imperial Valley Gas Company or the receiver, or used in the operation of or in connection with said gas system. All automobiles and all other property, either real or personal, owned by said Imperial Valley Gas Company, or in possession of or under the control of the receiver, C. E. Paris, used in the maintenance, operation, repair or extension of said gas plant, office and system, situated in the State of California."

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DECISION NO. 7828.

PICKWICK STAGES, NORTHERN DIVISION, INCORPORATED,

vs.

E. CRAIG, JOHN DOE MOORE, RICHARD ROE BELLOWS, HARRY COLE, JOHN ONE, JOHN TWO, JOHN THREE.

Case No. 1346.

Decided July 9, 1920.

AUTO STAGES—CERTIFICATES—TRANSFERS—ABANDONMENTS.—It is held that the suspension of operation without authorization by an individual holding rights to operate an auto stage line constitutes an abandonment of his operative rights and that he can not again resume operation until he has secured a certificate authorizing the same from this Commission, also the unauthorized transfer or lease of rights, the abandonment of operation by the lessee and the subsequent resumption of operation by the lessor constitutes a forfeiture of rights which can not again be acquired without securing a certificate therefor.

Defendant Craig prohibited from operating between Los Olivos and Santa Maria and Santa Barbara and Los Olivos until he has secured a certificate from this Commission permitting such operation and the operative rights of defendants Lloyd and Cole held to have been forfeited due to suspension of operation without authorization.

N. C. Folsom, for Complainant.

S. V. Wright and *J. F. Frick*, for Defendant, E. Craig.

BY THE COMMISSION.

OPINION.

In this proceeding Pickwick Stages, Northern Division, a corporation, alleges that the operation of a stage line by E. Craig, J. H. Moore, R. R. Bellows (hereinafter referred to as W. R. Belles), and Harry Cole between Los Olivos and Santa Maria is not in accordance with the provisions of chapter 213, statutes of 1917, in that no authority has ever been secured from the Railroad Commission in accordance with such statutory enactment; that E. Craig sold or leased the right to operate a stage service from Santa Barbara to Santa Maria without securing authority from the Railroad Commission for such transfer; that Charles B. Lloyd, who was granted a certificate of public convenience and necessity by the Railroad Commission on March 2, 1918 (Decision No. 5171 on Application No. 3472), abandoned operation and discontinued service between Santa Maria and Los Olivos and by such abandonment and discontinuance has forfeited all rights secured under said certificate; that, after the discontinuance of service by Charles B. Lloyd between Los Olivos and Santa Maria, E. Craig at irregular intervals maintained a stage service between Santa Maria and Los Olivos and later operated a daily service without authority, as conferred by a certificate of public convenience and necessity from the Railroad Commission or permits from the governing bodies of the political subdivisions between Los Olivos and Santa

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Maria; that E. Craig sold or leased the right to operate a stage service between Santa Barbara and Santa Ynez and Santa Maria to J. H. Moore, W. R. Belles, Harry Cole and other defendants herein; that additional service between Santa Barbara and Santa Maria has been established by such defendants; that the right of the defendant, Craig, at no time exceeded the right to operate a stage service between Santa Barbara and Santa Ynez and that the operation by defendant, Craig, between Santa Maria and Los Olivos is without right and contrary to the provisions of chapter 213, statutes of 1917; that the operation of a stage service by other defendants herein between any of the points mentioned and based on a purchase or lease of any rights from defendant, Craig, is contrary to the provisions of chapter 213, statutes of 1917. The prayer of complainant asked that, if operation of the stage service between Los Olives and Santa Maria is found to be conducted and carried on by E. Craig, said defendant be prohibited and restrained from continuing the operation of such service; that, if the other defendants herein mentioned are maintaining service between Santa Barbara and Santa Maria and intermediate points under any form of lease or alleged purchase of rights from defendant, Craig, such defendants and each of them be prohibited and restrained from operating any stage line service between Santa Barbara and Santa Maria and intermediate points; that, if it should be determined that through a purported lease or sale defendant, Craig, has ceased to operate his service between Santa Barbara and Santa Ynez, all rights had by reason of operation prior to May 1, 1917, should be cancelled and set aside by reason of such abandonment of service and that he be prohibited and restrained from further operation; that the operative rights of Charles B. Lloyd accruing by reason of certificate granted in Decision No. 5171 of the Railroad Commission on Application No. 3472 be cancelled and set aside by reason of the abandonment of service by said defendant, Lloyd, between Los Olivos and Santa Maria and intermediate points; that the rights of Harry Cole accruing by reason of operation prior to May 1, 1917, be cancelled and set aside, account abandonment of service between Los Olivos and Santa Maria and intermediate points.

Defendant, E. C. Craig, filed his answer denying that defendant, Cole, abandoned operations or discontinued service between Santa Maria and Los Olivos and alleging that said defendant, Cole, transferred his runs to Charles D. Lloyd; denies that Charles D. Lloyd abandoned operation and discontinued service between Santa Maria and Los Olivos and alleges that said Lloyd and defendant, Craig, at all times after the transfer by defendant, Cole, to defendant, Lloyd, operated a joint schedule between Santa Maria and Santa Barbara until about the first day of August, 1918, at which time said Lloyd

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transferred and assigned his stage business to defendant, Craig, and that thereafter defendant, Craig, has continuously maintained the above mentioned joint schedule and has protected the run; denies that defendant, Craig, on or about May, 1919, or at any other time sold and leased the right to operate a stage service between Santa Barbara and Santa Ynez to defendants, Cole, Moore, Belles or any other person or persons; denies that defendant, Craig, has at any time exceeded his right to operate stage service between Santa Barbara and Santa Ynez or that the operation of a stage line between Santa Barbara and Los Olives is without right or contrary to the provisions of chapter 213, statutes of 1917.

Defendants, Harry Cole, James Moore and W. R. Belles, filed answer denying that defendant, Cole, abandoned operations and discontinued service between Santa Maria and Los Olivos, alleging that he transferred said run to Charles B. Lloyd; denies that Charles B. Lloyd abandoned operations and discontinued service between Santa Maria and Los Olivos and alleged that said Lloyd and defendant, E. Craig, at all times after the transfer by defendant, Cole, to defendant, Lloyd, operated a joint schedule between Santa Maria and Santa Barbara until about August 1, 1918, at which time Lloyd transferred and assigned his stage business to defendant, E. Craig, and that thereafter defendant, Craig, has continuously maintained said joint schedule and protected the run; denies that defendant, Craig, on or about May, 1919, sold or leased the right to operate a stage service between Santa Barbara and Santa Ynez to defendants, Cole, Moore and Belles, or that such or any sale or lease was ever made by defendant, Craig, to such defendants and allege that, if the Railroad Commission can and will authorize such transfer, defendants, Cole, Moore and Belles, now employees of defendant, Craig, in the operation of the stage line run referred to, will secure from said Craig the right to operate such stage line.

A public hearing on this matter was conducted by Examiner Handford at Santa Maria on May 6, 1920, at which time the matter was duly submitted and is now ready for decision.

E. C. Craig, defendant herein, acquired operative rights between Santa Barbara and Santa Ynez and intermediate points by reason of operating a stage line on May 1, 1917, such date being that recognized by the legislature as the date on which operators in good faith were not required to secure a certificate of public convenience and necessity from the Railroad Commission and permits from the governing bodies of the various political subdivisions through which a route operated. Tariff of E. C. Craig stage line, designated as local passenger tariff No. 1 (C. R. C. No. 1) issued May 1, 1917, to be effective May 1, 1917, was filed by E. C. Craig with the Railroad Commission on

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July 9, 1917. On January 22, 1918, Charles B. Lloyd filed an application with the Railroad Commission for a certificate of public convenience and necessity to operate a stage or truck service between Santa Maria and Los Olivos, such application being assigned number 3472 on the Commission's docket. After a public hearing at Santa Maria, Decision No. 5171 was issued by the Railroad Commission on March 2, 1918, granting the desired certificate with the provision that a supplemental order should be obtained evidencing the filing of the local permits, as required by section 3 of chapter 213, statutes of 1917, and on April 29, 1918, under Decision No. 5342, the Commission by its first supplemental order acknowledging the filing of the certified copies of permits issued by the board of supervisors of the county of Santa Barbara and the board of trustees of the city of Santa Maria.

The following extract from the opinion in Decision No. 5171 is of interest in this proceeding:

> Applicant has been operating since January 14, 1918, over the route in question, twenty-five miles of which is paved.
>
> He purchased for $500 the supposed right to operate said line from one Harry Cole. It was assumed by the parties to the transaction that because Mr. Cole has been operating prior to May 1, 1917, he had a transferable right under chapter 213, laws of 1917. The only effect of the statute upon those operating in good faith prior to said date is to exempt them from the necessity of procuring local permits from local authorities and certificates of public convenience and necessity from the Railroad Commission. The right recognized by the statute is personal and is not transferable.

The records of the Railroad Commission show that the Los Alamos and Santa Maria Valley stage line, Harry Cole, proprietor, first filed local passenger tariff No. 1 (C. R. C. No. 1) on February 24, 1917, tariff to become effective March 1, 1917, also local passenger tariff No. 2 (C. R. C. No. 2), canceling local passenger tariff No. 1 filed June 29, 1917, effective July 1, 1917; also notice of transfer from Harry Cole to Charles B. Lloyd dated January 12, 1918; also notice of adoption of tariffs formerly issued by Harry E. Cole, as proprietor of the Los Alamos and Santa Maria Valley stage line, to Charles B. Lloyd, effective January 18, 1918; joint passenger tariff No. 1 (C. R. C. No. 3) issued by Charles B. Lloyd, as proprietor of Los Alamos and Santa Maria Valley stage line, showing through rates between Santa Maria and Santa Barbara in which Craig stages, E. C. Craig, proprietor, participated by concurrence, form P. 2, No. 1, filed May 13, 1918, to be effective May 14, 1918. The files of the Commission show no joint rates as having been filed by E. C. Craig and Harry Cole when the latter claimed proprietorship of the Los Alamos and Santa Maria Valley stage line.

It appears from the record in this proceeding that Charles B. Lloyd, who was granted an operative right in the Commission's Decision No. 5171, issued under date of March 2, 1918, on Application No. 3472

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discontinued operation without authority of the Commission, such unauthorized discontinuance constituting a relinquishment of whatever rights were conveyed by the Commission under such certificate; that E. C. Craig commenced unauthorized operation between Los Olivos and Santa Maria over the line formerly operated by Charles B. Lloyd. No tariffs or schedules were filed with the Railroad Commission covering such operation nor could same have been accepted until defendant, E. C. Craig, had secured a certificate of public convenience and necessity from the Railroad Commission; Craig furnishing the unauthorized operation under the joint tariff hereinabove referred to as having been filed by E. C. Craig and Charles B. Lloyd under date of May 13, 1918 (C. R. C. No. 3), joint passenger tariff No. 1.

The testimony in this proceeding shows that on or about June 1, 1919, defendant, Craig, entered into an agreement with James H. Moore for the operation of the stage line heretofore operated by Craig between Santa Barbara and Santa Maria and that a written agreement was entered into under date of June 20, 1919, whereby Craig leased to Moore, for a term of two years at a monthly rental of $30 for each car operated by Moore over the route, all rights, easements and franchises held by Craig and covering operation between Santa Barbara and Santa Maria and intermediate points; the lessee agreeing not to sublet the line or any portion thereof without the written permission of the lessor. An agreement was also entered into under date of June 20, 1919, by which two cars were to be sold to James H. Moore by defendant, E. C. Craig, for a total amount of $2,400 payable at the rate of $100 per month on each car, together with interest on all deferred payments at the rate of 8 per cent per annum. The purchaser to pay all taxes, licenses and assessments levied against such property after the first day of June, 1919.

The evidence in this proceeding is conclusive that defendant, E. C. Craig, on or about June 1, 1919, made a verbal arrangement with James H. Moore for the lease of the line—Santa Barbara to Santa Maria—and that on June 20, 1919, a written lease was executed confirming the verbal understanding. No cars were operated by the defendant, Craig, in stage service over the line after the lease was entered into and the line continued to be operated by James H. Moore until April, 1920, at or near which time the defendant, Craig, took over the equipment held by Moore under sales agreement account nonpayment of agreed installments. The evidence also indicates that tickets were sold from Santa Barbara and other points over the portion of the line—Los Olivos to Santa Maria—although the contention was made at the hearing by the attorneys for defendant, E. C. Craig, that, if tickets were sold or fares accepted over the portion of the line between Los Olivos and Santa Maria, such actions were beyond the

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control of defendant, Craig, in that he was not operating the line, same having been leased to James H. Moore.

The conditions regarding claims for operative rights over the portion of the line between Los Olivos and Santa Maria, as revealed by the testimony in this proceeding, indicate that defendant, E. C. Craig, attempted to operate such portion of the line without legal authority; and further, that the leasing of his line from Santa Barbara to Santa Maria (no operative rights existing over the portion between Los Olivos and Santa Maria), canceled any operative right that existed between Santa Barbara and Los Olivos for the reason that the provisions of chapter 213, statutes of 1917, provided no method by which a lease of a line could be made; all transportation companies, as defined by such statute operating as common carriers being required to secure a certificate of public convenience and necessity from the Railroad Commission and permits from the governing bodies of all political subdivisions through which a route operated. Chapter 280, statutes of 1919, which amended chapter 213, statutes of 1917, provided a method for the sale, assignment, lease, transfer or inheritance of operative rights, requiring, however, authorization by the Railroad Commission. Chapter 280, statutes of 1919, was effective July 22, 1919, and the lease from Craig to Moore was dated June 20, 1919, confirming the terms of a verbal arrangement which, according to the testimony in this case, became effective June 1, 1919.

After careful consideration of the evidence in this proceeding, we are of the opinion and find the following facts:

First—That prior to May 1, 1917, defendant, E. C. Craig, was operating in good faith an automobile stage service between Santa Barbara and Santa Ynez and intermediate points; that prior to May 1, 1917, Harry Cole was operating an automobile stage service between Santa Maria and Los Olivos; that Harry Cole abandoned operation between Santa Maria and Los Olivos, such suspension of service constituting abandonment of any operative rights obtained by the fact of his having operated a stage line prior to May 1, 1917, in accordance with the provisions of chapter 213, statutes of 1917.

Second—That Charles B. Lloyd was granted a certificate of public convenience and necessity by the Railroad Commission for the operation of an automobile stage line between Santa Maria and Los Olivos, Decision No. 5171 under date of March 2, 1918, and Decision No. 5342 under date of April 29, 1918, having been issued in Application No. 3472.

Third—That Charles B. Lloyd suspended operation without receiving permission from the Railroad Commission for such suspension, such suspension of operation without authority constituting a relinquishment

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of operative rights, as conferred by the decisions of the Railroad Commission hereinabove referred to.

Fourth—That E. C. Craig leased to J. H. Moore, in accordance with the terms of a written instrument dated May 20, 1919, the operative rights of a stage line between Santa Barbara and Santa Maria, said Craig possessing at such time no operative rights excepting those between Santa Barbara and Santa Ynez, Los Olivos being an intermediate point on such line; that said E. C. Craig operated no cars over such line after his lease to J. H. Moore until some time in the spring of 1920, at which time he took over the equipment formerly sold by him to Moore under lease contract and again commenced the operation of the entire line Santa Barbara to Santa Maria.

Fifth—That the transfer of the operative rights heretofore held by defendant, E. C. Craig, between Santa Barbara and Los Olivos to J. H. Moore under the agreement dated June 20, 1919, and the cessation of operation thereafter by E. C. Craig constituted a relinquishment of such operative rights, as conferred by the legislative enactment known as chapter 213, statutes of 1917, in that no provision existed in such enactment authorizing a transfer of operative rights unless a certificate of public convenience and necessity was obtained from the Railroad Commission and permits from the governing bodies of all political subdivisions through which the route operated. The resumption of service by defendant, E. C. Craig, in the spring of 1920, after J. H. Moore, the lessee, under the above mentioned agreement failed to meet the financial terms of such agreement, was unauthorized and could not be undertaken until a certificate of public convenience and necessity had been received from the Railroad Commission.

ORDER.

A public hearing in the above entitled proceeding having been held, the matter having been duly submitted and the Commission being fully advised and basing its order on the findings of fact set forth in the foregoing opinion;

It is hereby ordered: *First*—That no operation of an automobile stage line as a common carrier over the highways between Los Olivos and Santa Maria be conducted hereafter by defendant, E. C. Craig, until such time as a certificate of public convenience and necessity be secured from this Commission, as provided for in chapter 213, statutes of 1917, as amended by chapter 280, statutes of 1919.

Second—That no operation of an automobile stage line between Santa Barbara and Los Olivos and intermediate points be conducted hereafter by defendant, E. C. Craig, until a certificate of public convenience and necessity will have been secured from the Railroad

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Commission in accordance with the provisions of the above mentioned statutory enactment.

Third—That the operative rights of Charles B. Lloyd, as granted by the Railroad Commission in its Decision No. 5171 and Decision No. 5342 on Application No. 3472, no longer exist by reason of unauthorized suspension of service without the permission of the Railroad Commission; unauthorized suspension of service being deemed to constitute a relinquishment of said operative rights.

Fourth—That the operative rights of Harry Cole existing by reason of operation prior to May 1, 1917, and in accordance with the provisions of chapter 213, statutes of 1917, are no longer existent by reason of his unauthorized suspension of service; such suspension of service, when unauthorized by this Commission being deemed a relinquishment of such operative rights.

The complaint in this proceeding as to defendants, W. R. Belles, John One, John Two, John Three, is hereby dismissed.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this ninth day of July, 1920.

DECISION NO. 7829.

CITY OF SACRAMENTO, A MUNICIPAL CORPORATION,

vs.

SOUTHERN PACIFIC COMPANY, A CORPORATION.

Case No. 1430.

Decided July 9, 1920.

RAILROAD CROSSINGS—SEPARATION OF GRADES—NECESSITY FOR.—It is held to be unreasonable to require the expenditure of a large sum of money in the separation of grades where Sixteenth street crosses the tracks of the Southern Pacific Company in the city of Sacramento in view of the fact that there is an existing undergrade crossing at Twelfth street only four blocks distant which can adequately care for traffic at the present time, and that present traffic averaging seven vehicles per hour over the grade crossing at Sixteenth street does not constitute a menace nor can it be considered as unduly congested and dangerous to lives or property.

Complaint of city of Sacramento dismissed.

Archibald Yell, for city of Sacramento.

Geo. J. Bradley, for Consolidated Chamber of Commerce.

Senator J. M. Inman, for Sixteenth Street Improvement Club.

C. F. Weiland, for Sacramento Pipe Works.

Elmer Westlake, for Southern Pacific Company.

BY THE COMMISSION.

OPINION.

In this proceeding, filed March 23, 1920, the city of Sacramento complains of the dangerous and congested traffic conditions in the

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subway which crosses the Southern Pacific lines at Twelfth and B streets, in said city, and over that section of the highway between the subway and the American River bridge north of the city. The greater portion of the last mentioned road lies outside of the city. The city further alleges that Sixteenth street, which runs parallel with Twelfth street, crossing the Southern Pacific Company's tracks at B street at grade, and which runs in a direct line to the American River bridge, is very dangerous on account of the large amount of travel over the grade crossing which is located on a high fill. In order to relieve the Twelfth street subway and eliminate the present grade crossing at Sixteenth street, the city of Sacramento petitions the Railroad Commission for an order authorizing the construction of a subway at Sixteenth street and B street upon such terms as the Commission may consider equitable and proper.

The Southern Pacific Company in its answer denies all of the allegations in the city's complaint and asks that the complaint be dismissed. A public hearing was held at Sacramento on June 4, before Examiner Satterwhite, at which all those interested were represented.

The Twelfth street subway is the outlet from Sacramento for practically all of the traffic for the region north and east of Sacramento over the highways known as the Natomas road, Marysville road and Auburn boulevard.

North Sacramento, a suburb of from 2500 to 3000 inhabitants, and Del Paso Park are reached by the last named road. The Marysville road and Auburn boulevard meet at a point about seven hundred (700) feet northeast of the American River bridge; the Natomas road joins the Marysville road about two thousand seven hundred and fifty (2750) feet north of this intersection. Over two thousand (2000) feet of these approaches from the north to the American River bridge are on a high wooden trestle about sixteen (16) feet in width. The American River bridge is about six (6) or seven (7) hundred feet long and about twenty-two (22) feet in width, with a sidewalk about four (4) feet wide on one side, in addition. The distance between the south end of the American River bridge and the Twelfth street subway is approximately four thousand six hundred (4600) feet.

The Twelfth street subway is built with two barrels or sections on account of the shallow floor required to give sufficient overhead clearance. The net width in the clear in each section under the tracks is fourteen (14) feet. The width between the abutment walls in the open portion of the subway is thirty (30) feet. The length of the covered portion of the subway is about one hundred and sixty (160) feet; the total length of the subway approximately four hundred and fifty (450) feet.

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Traffic counts made by the city show 3658 vehicles passed through the subway from 6 a.m. to 8 p.m. on May 12, 1920, an average of 254 every hour, or 4.25 per minute, through the subway in both directions. On Sunday, May 16, the city count shows 4872 vehicles during 14 hours, an average of 348 per hour, or 5.8 per minute in both directions. A count of pedestrians was not offered in evidence by the city.

The Southern Pacific Company offered in evidence counts of traffic in both directions taken on May 20, 28, 29 and Sunday, the 30th, 1920. The results of this count are given in the following table:

Date	North bound				South bound			
	No. of hours	Amount travel	No. per hour	No. per minute	No. of hours	Amount travel	No. per hour	No. per minute
May 20	10	1,316	132	2.2	10	1,336	134	2.2
May 28	8	2,126	266	4.4	8	1,189	148	2.5
May 29	8	1,253	156	2.6	8	1,213	139	2.3
May 30	5	1,035	205	3.4	5	769	154	2.6
	3	557	179	3.0	3	852	284	4.7
Average	34	6,257	183	3.0	34	5,359	158	2.6

The highest count for any one-half hour by the Southern Pacific Company gives only six vehicles per minute or one every ten seconds, which can easily be taken care of by the subway.

A count taken by the Sixteenth Street Improvement Club on July 15, 1916, shows 1524 vehicles and pedestrians from 1 p.m to 9 p.m, or 8 hours. A tally on July 16 gives 1631 vehicles and pedestrians, etc., from 8 a.m. to 9 p.m., or 13 hours. This count shows that traffic has not greatly increased on the average in 1920 over 1916.

Analysis of the evidence shows that the entire distance from the south end of the subway to the north end of the highway trestles is a throat through which all of this traffic must pass. The physical measurements show that the wooden trestles, rather than the subway and the intervening roadway, determine the traffic congestion. Diverting part of the traffic over Sixteenth street at its junction with the Twelfth street road would not help matters on the trestle or American River bridge. The only objection that can be offered at the present time to the subway at Twelfth street is the lack of facilities for travelers on foot. They are now forced to use the vehicular runways, each of which have, according to the traffic counts, a vehicle about every ten to twenty seconds. The Southern Pacific Company and the city of Sacramento should see that the pedestrians are properly safeguarded by the installation of approach sidewalks and a pedestrian subway.

Further testimony was offered by the city as to the necessity of a subway at Sixteenth street on the basis of danger at the existing

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grade crossing and the installation in the near future of several industrial plants along Sixteenth street between B street levees and the American River.

Inspection shows that the Sixteenth and B street crossing, while on a high fill, has wide approaches with reasonable grades, considering the height of the fill. These approaches and the crossing itself are in good condition for earth roads. The view of the track from the approaches is fairly open. The willow trees on the block northeast of the crossing could easily be removed, which would make the view even more open.

The city of Sacramento obtained a traffic count of 99 vehicles over this crossing in 14 hours on May 12. This amounts to a trifle over seven vehicles an hour, or one every eight and a half minutes. During the same 14-hour interval, 107 train and switch movements passed over the crossing, or one about every seven and three-quarters minutes. This tally shows not quite one vehicle for every train crossing Sixteenth street. There is a very small probability that each traveler would meet one of the trains over the crossing. This light travel would not warrant a grade separation if considered alone. Witness for the city of Sacramento testified that the industrial area of Sacramento, which is fixed by Ordinance No. 408, is being outgrown and that the best remaining site for industrial purposes is the land lying between the B street levee and the American River. At the present time this land is bare and unimproved as to streets. The lack of improvement of A street, north B street and Sixteenth street north of the levee probably holds this industrial development in check more than the lack of a subway at Sixteenth street, as motor trucks can easily negotiate the existing grades on this crossing. The improvement of these streets would allow of an outlet through the Twelfth street subway, which can still handle all of the traffic which might originate in this section.

It is the intention of the Southern Pacific Company to extend its yard tracks as far east as the Northern Electric tracks between Eighteenth and Nineteenth streets. Provision for these tracks would have to be made in the design of the Sixteenth street subway.

The Southern Pacific Company estimates the cost of the subway at the present time, with the increased trackage taken into account, at approximately $125,000. This estimate appears to be about $12,000 too high, according to the Commission's engineering department. A similar estimate for prices current in 1916 would show a cost of only $64,000, which checks closely the city's estimate in a former proceeding (Case No. 946).

Without the allowance for the increased trackage, we are informed that the estimated cost of the subway by the railroad company is placed at between $50,000 and $60,000 at the present time. Under

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fairly normal conditions, this cost would be decreased in proportion to less than $30,000. In view of the greatly increased estimated cost of this structure in 1920, as compared to the estimated costs of 1916, it might be well to hold in abeyance the construction of an additional subway for northbound traffic until costs have declined somewhat, as traffic conditions are not now such as to demand the immediate construction of this grade separation. Another objection to the location of a subway at Sixteenth street might be offered in its lying so close to the Twelfth street subway. It would seem wiser to space the grade separations more than four blocks apart.

From the evidence it would appear that this complaint should be dismissed.

ORDER.

Complaint having been made by the city of Sacramento against the Southern Pacific Company, a corporation, in regard to traffic conditions through the Twelfth street subway and the grade crossing at Sixteenth street, a public hearing having been held and the Commission being fully apprised in the premises and of the opinion that the complaint should be dismissed;

It is hereby ordered, that the above entitled complaint be and the same is hereby dismissed, without prejudice.

Dated at San Francisco, California, this ninth day of July, 1920.

DECISION NO. 7830.

IN THE MATTER OF THE APPLICATION OF REEDLEY TELEPHONE COMPANY FOR PERMISSION TO INCREASE RATES.

Application No. 5605.

Decided July 9, 1920.

A. Terkel, for Applicant.

BRUNDIGE, *Commissioner*.

OPINION.

The Reedley Telephone Company in Application No. 5605 asks the Commission's authority to increase rates for telephone service, alleging that the present rates which were made effective in January of this year by the Commission's Decision No. 7027 are inadequate to meet the present and anticipated increased cost of operating the plant and at the same time yield a fair return upon its investment in plant.

A hearing was held in Reedley on May 19, 1920. It was developed at the hearing that the company had been doing an unusual amount of maintenance work during the period covered by the application and that a fair return had been made upon its investment even under these exceptional conditions.

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The applicant based its contention for an increase in rates almost exclusively upon expenditures which it anticipated would be necessary to secure operators in the future rather than for actual expenses at present. The Commission has repeatedly declared that it recognizes existing pay rolls as a legitimate item of operating expense and that it can not base rates upon prospective increases in pay of employees. I believe this rule is founded upon sound public policy and that in this case there is no reason for departing from the rule.

At the hearing the applicant stated that the discount of 25 cents for prompt payment of bills was an added burden to its accounting system and did not reduce the amount of uncollectible bills, requesting that this discount be discontinued. It is my opinion that a net rate should be permitted under the circumstances set forth above but that this net rate should be equivalent to the present rates, less 25 cents.

Removing the discount as indicated above would make the following rates effective:

Per month.

Classification	Business	Residence
Main line, wall	$2 75	$2 25
Two-party line, wall	2 25	2 00
Four-party line, wall	----	1 75
Six-party line, wall	----	1 50
Suburban	2 25	2 00
*Extensions	1 50	1 00
*Farmers' lines	60	40

Desk telephones are 25 cents additional per month on all classes of service except those marked with an asterisk. All rates are net.

The present rates, rules and regulations not herein specifically provided for shall continue in effect until the further order of the Commission.

I recommend the following order:

ORDER.

Application having been filed with the Railroad Commission by Reedley Telephone Company for authority to increase its present rates, a hearing having been held, the matter having been submitted and the Commission being fully advised, and it appearing to the Commission, as set forth in the preceding opinion, that an increase in petitioner's present rates is not justified;

It is hereby ordered, that the application for increased rates be and it is hereby denied.

It is further ordered, that the applicant is authorized to establish and file with the Commission within thirty (30) days of the date of this order a schedule of rates and services as outlined in the foregoing opinion. Applicant is authorized to put these rates into effect subject to the conditions set forth in Decision No. 7027.

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This opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this ninth day of July, 1920.

DECISION NO. 7831.

IN THE MATTER OF THE APPLICATION OF THE EEL RIVER AND SOUTHERN TELEPHONE COMPANY FOR AUTHORITY TO INCREASE RATES FOR TELEPHONE SERVICE.

Application No. 5003.

Decided July 9, 1920.

TELEPHONE SERVICE—EXTENSIONS—COST OF.—Applicant is required to discontinue the practice of requiring prospective consumers to pay all or a portion of the cost of constructing extensions for suburban service, and it is recommended that the company acquire all equities at present held by various suburban subscribers and hereafter make all extensions at its own expense. Applicant's request that rates be established which will provide sufficient funds to pay for necessary extensions denied on the ground that as rates will provide a return upon such investment the company can not expect the public to also provide the capital therefor.

A. W. Blackburn, for Applicant.

BY THE COMMISSION.

OPINION.

The Eel River and Southern Telephone Company, hereinafter referred to as the company, in Application No. 5003 asks the Commission's authority to increase rates for telephone service, alleging that the present rates, which have been in effect for more than eight years, are inadequate to meet the increased operating expenses and at the same time yield a fair return upon its investment in plant.

A statement of the monthly revenue and expenses, the proposed rates and an inventory and appraisal of its property were filed with the application by the company. The exhibit showing the monthly exchange revenue indicates that discriminatory rates are in effect and are shown in the following table:

Present Monthly Rates.

Classification	Business	Residence
Main line, wall	$2 50	$2 00
Two-party line, wall	2 00	1 50
Four-party line, wall	1 75	1 25
Ten-party line, wall	1 50	1 00
Ten-party line, wall	----	1 25
Ten-party, line, wall	----	1 50

NOTE—Desk telephones 25 cents additional.

A hearing was held in Ferndale on January 29, 1920. At the hearing it developed that the variations in ten-party line rates indicated above were not due to geographical location of subscribers but

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were the results of the practice of giving various rates to subscribers having different equities in the lines. It was further developed that the inventory submitted by the company was made from its records rather than from an actual count of the items of plant and that the appraisal did not include any labor, incidental or overhead costs chargeable to fixed capital.

The Commission's engineers made a separate inventory of the plant with the assistance of a company representative. From this data a valuation has been made and a copy furnished the company. From an analysis of the appraisals submitted by the company and the Commission's engineers, taking into consideration the origin and source of money actually invested in plant as reflected in the history of the company, it is the opinion of the Commission that a fair valuation of this property for rate making purposes will be approximately $24,500, and suggests this amount as a proper rate base.

During the year 1919 the gross revenue of the company was $8,607.24 and the total expenses, including depreciation allowance, taxes and uncollectible bills, were $7,945.83, leaving a net income to the company of $661.41. It is apparent, therefore, that the company is entitled to an increase in revenue in order that it may earn a reasonable return upon the value of its property.

The company may reasonably expect during the coming year an estimated revenue of $11,400 from the rate structure which is proposed. A careful estimate of expenses for the same period has been made and amounts to $9,500. This will give the company a reasonable return upon the plant value without increasing the rates to the extent requested in the application.

Included in the estimated expenses for the coming year is an item for depreciation amounting to $1,260. This amount, in our opinion, should be set aside in a separate fund and used only for the purposes for which it is collected from the subscribers. It is equally important, however, that the company should actually use this fund for replacements of plant and not charge such replacements to operating expenses as has been its practice in the past. For this reason it is recommended that the company be required to file with this Commission its suggestions for rules governing the use of this fund. Upon approval of the plan as submitted or modified they should be adhered to by the company.

In its application the company sets forth as a reason for the necessity of an increase in rates the statement that it does not have sufficient revenue remaining after paying expenses and dividends to make additions to plant. It cannot be expected by the company that the public should be required to furnish the capital to build the plant

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and in addition pay a return upon the system which was built from their own money.

We recommend that the company should offer the following classes of service and authorize the following rates:

Per month.

Classification	Business	Residence
Main line, wall	$2 50	$2 00
Two-party line, wall	2 00	1 75
Four-party line, wall	1 75	1 50
Ten-party line, wall	1 25	1 00
Suburban	2 25	2 00
Extensions	1 00	1 00
Extension bells	25	25
Farmers' lines	7 20	3 60

Desk telephones are 25 cents additional per month on all classes of service except extensions and farmers' lines.

The above main line, two, four and ten-party line rates apply only within the primary rate area which shall coincide with the city limits of the town of Ferndale.

For the following classes of service a mileage charge, based upon the shortest airline distance from the subscriber's station to the city limits, may be made:

Main line, per quarter-mile or fraction thereof	$0 50
Two-party line per quarter-mile or fraction thereof	35
Four-party line per quarter-mile or fraction thereof	25

All services, rules and regulations not covered in this opinion shall remain as provided for in the Commission's Decision No. 2879, Case No. 683, decided November 5, 1915. Within thirty days of the date of this order the company shall file its rules and regulations and miscellaneous equipment rates for approval by the Commission.

Suburban subscribers as here used are defined as those located without the city limits of Ferndale having ten party line service on lines which are wholly owned and maintained by the company. Further, the company shall own and maintain the telephones and associated equipment located on the subscribers' premises.

The company has made a practice in the past of requiring subscribers to furnish a part of the material or capital necessary to furnish so-called suburban service. It is the opinion of the Commission that good telephone service can not be given unless the company owns and maintains the plant which it operates. We therefore recommend that the applicant be required to acquire the equities held by the various suburban subscribers and to file with this Commission within thirty days of the date of this order a statement showing the number of equities held by subscribers and the amount of each, together with a definite plan for acquiring ownership of same. Upon approval by this Commission of the plan as submitted or modified, the company should file a report at definite intervals, to be determined later, which will show the progress being made along this line.

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We recommend the following form of order:

ORDER.

Eel River and Southern Telephone Company having filed with the Commission its application for an increase of rates, a hearing having been held, the matter having been submitted and the Commission, basing its conclusions on the foregoing opinion, finding as a fact that the rates authorized and the classes of service prescribed in this order are just and reasonable;

It is hereby ordered, that the applicant is authorized to establish and file with the Commission within thirty (30) days of the date of this order, a schedule of rates and services as outlined in the foregoing opinion. On approval by the Commission of the schedule so filed, applicant is authorized to put these rates into effect subject to the following conditions:

(*a*) Adequate and efficient telephone service must be rendered at all times for all classes of service.

(*b*) Applicant shall set aside into a depreciation fund the sum of $1,260 per annum in installments of $105 per month for the purpose of taking care of such renewals and replacements as shall be covered by the fund.

Applicant shall file with the Commission within thirty (30) days of the date of this order, its suggestions for rules governing the functions and use of the depreciation fund, and these recommendations thereafter shall go into effect as approved or modified by the Commission.

(*c*) Applicant shall file with the Commission within thirty (30) days of the date of this order a statement concerning its suburban subscribers as set forth in the opinion.

Dated at San Francisco, California, this ninth day of July, 1920.

DECISION NO. 7832.

IN THE MATTER OF THE APPLICATION OF RIO VISTA TELEPHONE AND TELEGRAPH COMPANY FOR AUTHORITY TO INCREASE TELEPHONE SERVICE RATES.

Application No. 5199.

Decided July 9, 1920.

H. E. Nowell, for Applicant.

BY THE COMMISSION.

OPINION.

Rio Vista Telephone and Telegraph Company, hereinafter referred to as the company, in Application No. 5199 asks authority to make such

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increases and adjustments in the existing rates as in the opinion of the Commission shall appear just and reasonable, so as to allow a fair return upon its property and a reasonable allowance for depreciation.

A public hearing upon the application was held by Examiner Westover at Rio Vista.

At the hearing the applicant presented evidence showing cost of service in 1919 and cost of service in 1920, which included proposed increases in salaries: that at the present time the management serves without salary; that it desires to increase the number and salaries of its employees; and that, since the present rates were established, the plant has been greatly increased.

An inventory of the company's property previously prepared by the applicant was checked by an engineer of the Commission and, with some modifications, this inventory was used and unit prices were applied to it. The total reproduction cost, on an historical basis, as of October 16, 1919, was found to be $24,301. The reproduction cost, less depreciation, was found to be $18,544. No valuation was submitted by the company.

The gross revenue received by the company during the year 1919 was $6,519.20. The operating expenses for the same period were $4,657.80, including taxes and rent of central office building, but no allowance for depreciation. With the present scale of wages in effect, it is estimated that the annual operating expenses for the future will amount to $4,955. Annuity sufficient to provide for the depreciation of the physical plant is estimated at $1,087.

The rates provided in the order it is estimated will provide for the following annual charges:

Maintenance and operation	$4,955 00
Annuity for depreciation	1,087 00
Return on $24,300	1,944 00
Total	$7,986 00

The rates now in effect are as follows:

Subscribers' local telephone service, unlimited, per month	$1 25
Subscribers' rate to Birds Landing and Collinsville, per call	15
Nonsubscribers' rate to Birds Landing and Collinsville, per call	25
Toll calls to and from Suisun, per call	25
Switching charge on connections with Delta Telephone Co., per switch	05

At the present time a number of the subscribers are receiving either one, two or four party service, while a very few receive suburban service. It is evident that a more just schedule of rates would be one in which the rates paid would be graded according to these different classifications.

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The present rate for toll calls to Birds Landing and Collinsville for subscribers is lower than the nonsubscribers' rate, although the service is the same in either case. This is a discrimination which should be removed, and similar rates for messages between Rio Vista, Birds Landing and Collinsville, in either direction should be provided. The rates provided in the order herein will so provide.

Testimony was received at the hearing tending to show that longer hours of service would be desirable. This is a farming community and the present hour of opening the office, namely, 7 a.m., is too late for the convenience of some of the patrons. The present hours of service are as follows:

Week days ---------- 7.00 a.m to 10.00 p.m.
Sundays ---------- 8.00 a.m. to 12 m., and 6.00 p.m. to 8 p.m.

It is our opinion that the hours of service should be extended at least to the following schedule:

Week days ---------- 6.00 a.m. to 10.00 p.m.
Sundays ---------- 8.00 a.m. to 8.00 p.m.

This schedule can be put into effect without increasing the present operating force.

In regard to depreciation, the reserve collected from subscribers for this purpose should be set aside and so held that the money will be available when renewals are necessary, and this reserve should be used for no other purpose unless authorized by the Railroad Commission.

ORDER.

Rio Vista Telephone and Telegraph Company having filed with the Commission its application for an increase in rates, a public hearing having been held, the matter having been submitted and being now ready for decision:

The Railroad Commission hereby finds that applicant's rates now in effect are unreasonable and not compensatory and that the rates set forth in the order herein are just and reasonable rates.

Basing its action upon the above finding of fact and upon the statements of fact contained in the opinion preceding this order;

It is hereby ordered, that the applicant is authorized to establish and file with the Commission within thirty (30) days from the date of this order the following schedule of rates:

Per month.

Classification	Business	Residence
Main line, wall	$2 50	$2 00
Two-party line, wall	2 00	1 75
Four-party line, wall	1 75	1 50
Extension sets	1 00	1 00
Suburban service	----	1 75

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Desk sets 25 cents additional per month for all classes of service except extensions.	
Toll calls between Rio Vista and Suisun in either direction, per call	$0 25
Toll calls between Rio Vista and Birds Landing, Rio Vista and Collinsville and between Birds Landing and Collinsville in either direction, per call	25
Switching charge, all connections with Delta Telephone Company, per switch	05

Applicant is authorized to put these rates into effect subject to the following conditions:

(*a*) Adequate and efficient telephone service must be rendered for all classes of service.

(*b*) Hours of service shall be as follows: Week days, 6 a.m. to 10 p.m.; Sundays 8 a.m. to 8 p.m.

(*c*) A depreciation reserve shall be set aside annually for the purpose of maintaining the plant in good condition, and shall be used only for such purpose, or for such as may be authorized by the Commission. The amount thus set aside annually shall be determined by taking 4½ per cent of the California Railroad Commission's reproduction cost of the physical plant of the company, plus additions to and betterments in physical plant made since such valuation.

Dated at San Francisco, California, this ninth day of July, 1920.

DECISION NO. 7833.

IN THE MATTER OF THE APPLICATION OF THE ROSEVILLE TELEPHONE COMPANY, A CORPORATION, FOR AUTHORITY TO INCREASE ITS RATES FOR TELEPHONE SERVICE AND AMEND RULE 6 UNDER C. R. C. DECISION No. 2879, CASE No. 683.

Application No. 5142.

Decided July 9, 1920.

W. Hanisch, for Roseville Telephone Company.

BY THE COMMISSION.

OPINION.

In this application the Roseville Telephone Company, hereinafter referred to as the company, asks the Commission's authority to increase its rates for all classes of telephone exchange service and to make certain changes in its rules and regulations. The application sets forth that on account of increased operating expenses the revenue derived with the rates, as at present in effect, is not sufficient to pay a reasonable return upon the investment in the exchange plant, and hence an increase of the present rates is necessary.

The company filed with its application a statement of its operating revenues and expenses.

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The rates at present on file with the Commission and in effect herein, referred to as the present rates, and the rates which applicant desires with the authority of the Commission to make effective, herein referred to as the proposed rates, are as follows:

Business and Residence.	Present	Proposed
Main line, wall	$3 00	$4 00
Main line, desk	3 25	4 25
Two-party, wall	2 25	3 00
Two-party, desk	2 50	3 25
Four-party, wall	1 50	2 00
Four-party, desk	1 75	2 25
Suburban, wall	1 50	1 75
Suburban, desk	----	----
Suburban special, wall	1 25	----
Suburban special, desk	1 75	----
Extensions, wall or desk	50	75
Extension bells	15	25
Farmer lines	25	50

A public hearing was held in Roseville on February 10, 1920, before Examiner Satterwhite. It was stipulated at the hearing that the Commission through its engineering department, should make whatever investigation was deemed necessary and that any and all reports of the department dealing with the valuation and with matters of operation and service should be considered in evidence in the case. It was also stipulated that since the applicant had not submitted an inventory and appraisal of its properties it should do so at as early a date as convenient. This inventory and appraisal was made and submitted by the company as of March 1, 1920. It has been checked and revised and other necessary investigations have been made by the Commission's engineers.

The reproduction cost of this property, as found by the Commission's engineers, made up on the basis of historical unit prices, as of March 1, 1920, is $27,000.

The reproduction cost less depreciation is found by the Commission's engineers to be $20,854.

The reproduction cost submitted by the company is $25,710.

The company did not submit a reproduction cost less depreciation.

At the hearing the applicant submitted evidence showing an increase in operating expenses due to increases in salaries, wages and cost of material.

A detailed study of operating conditions and expenses made by the Commission's engineers shows that under the present rates the applicant is not earning a fair return upon its investment.

The company has been setting aside $1,296 per year as a depreciation reserve. This amount appears to be slightly in excess of the amount really necessary. The Commission's engineers find that an amount set aside annually equal to four and one-half per cent (4½%) of

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the California Railroad Commission's reproduction cost of the depreciable property plus the additions and betterments from March 1, 1920, that are subject to depreciation will be sufficient.

It is our opinion that the following schedule of rates will yield a fair income and will constitute just rates in this case:

Per month.

Classification	Business	Residence
Main line, wall	$3 00	$2 50
Two-party line, wall	2 50	2 25
Four-party line, wall	2 25	2 00
Eight-party line, suburban, wall	2 50	2 25
Extensions, wall or desk	1 00	1 00
Extension bells	25	25
Farmer lines (per year)	8 40	4 20

For desk telephones, except for extensions and farmer lines, 25 cents additional per month will be charged.

Bills for farmer line service payable semiannually in advance.

The rules and regulations for service and service charges heretofore filed by applicant with this Commission under Decision No. 2879, and now in force, shall be continued in effect until the further order of the Commission.

The following order is recommended:

ORDER.

The Roseville Telephone Company having filed with the Commission its application for an increase of rates, a public hearing having been held, the matter having been submitted and the Commission, basing its conclusions on the foregoing opinion and finding as a fact that the rates set forth in the foregoing opinion are just and reasonable;

It is hereby ordered, that the applicant be and it is hereby authorized to establish and file with the Commission, within thirty (30) days of the date of this order, a schedule of rates and services as outlined in the foregoing opinion. Applicant is authorized to put these rates into effect, subject to the following conditions:

(*a*) Adequate and efficient telephone service must be rendered at all times for all classes of service.

(*b*) A depreciation reserve annuity equal to four and one-half per cent (4½%) of the reproduction cost of the depreciable property as of March 1, 1920, as found by the Commission's engineers, plus all subsequent depreciable additions and betterments, shall be set aside in monthly installments for the purpose of maintaining the plant in good condition and shall be used for such purposes only, or as may be authorized by this Commission.

(*c*) The rules and regulations for service and service charges heretofore filed by applicant with this Commission under Decision

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No. 2879, and now in force, shall be continued in effect until the further order of the Commission.

Dated at San Francisco, California, this ninth day of July, 1920.

DECISION NO. 7838.

IN THE MATTER OF THE APPLICATION OF MARIN AUTO TRANSIT COMPANY, INCORPORATED, FOR PERMISSION TO ISSUE AND SELL FOR CASH, TWENTY THOUSAND DOLLARS OF ITS CAPITAL STOCK.

Application No. 5821.

Decided July 9, 1920.

Christopher M. Cook, for Applicant.

BY THE COMMISSION.

ORDER.

George Learned having applied to the Railroad Commission for permission to transfer to the Marin Auto Transit Company, Inc., the right to operate auto busses between San Rafael and Sausalito granted by the Commission in Decision No. 6963, dated December 19, 1919, and in Decision No. 7538, dated May 3, 1920, and Marin Auto Transit Company, Inc., having asked permission to sell for cash at par $20,000 of stock and use $16,000 to acquire four "Kleiber" 2½-ton trucks with pneumatic tires and equipped with 30-passenger bodies, and expend $4,000 of the proceeds for extra tires, machinery, stationery and working capital; and Marin Auto Transit Company, Inc., having reported that it will use all of the proceeds obtained from the sale of its stock to establish its automobile business between Sausalito and San Rafael, and the Commission being of the opinion that this is not a matter on which a public hearing is necessary and that this application be granted; now, therefore,

It is hereby ordered, that Marin Auto Transit Company, Inc., be and it is hereby authorized to issue and sell, for cash, on or before December 15, 1920, for not less than par, $20,000 of its common capital stock and use $16,000 of the proceeds to purchase the four "Kleiber" 2½-ton trucks with pneumatic tires and equipped with 30-passenger bodies, and expend the remaining $4,000 of the proceeds to purchase materials, supplies, and provide itself with working capital, all as is more particularly described in the petition herein.

Provided, that Marin Auto Transit Company, Inc., will keep such record of the issue and sale of the stock herein authorized and of the disposition of the proceeds as will enable it to file on or before the twenty-fifth day of each month a verified report, as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

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It is hereby further ordered, that George Learned be and he is hereby authorized to transfer to the Marin Auto Transit Company, Inc., the operative rights and privileges granted by the Commission in Decision No. 6963, dated December 19, 1919, and Decision No. 7358, dated May 3, 1920, subject to the following conditions:

1. Marin Auto Transit Company, Inc., shall file with the Railroad Commission a written acceptance of this order, subject to the conditions herein, within twenty days after the date of service thereof.

2. George Learned will be required to immediately cancel all the tariffs and time schedules now on file with the Railroad Commission, such cancellation to be made in accordance with the provisions of General Order No. 51 and other regulations of the Railroad Commission.

3. Marin Auto Transit Company, Inc., will be required to file tariffs and time schedules in its own name, or to adopt as its own the tariffs and time schedules as heretofore filed by George Learned, all rates to be identical with those filed with the Railroad Commission by George Learned, such new tariffs or adoption of tariffs to be made in accordance with the provisions of General Order No. 51 and other regulations of the Railroad Commission.

4. The rights and privileges, the transfer of which is hereby authorized, may not again be leased, transferred or assigned unless the written consent of the Railroad Commission to such lease, transfer or assignment has first been secured.

5. No vehicle may be operated by Marin Auto Transit Company, Inc., unless such vehicle belongs to it or is leased by it under a contract or agreement on a basis satisfactory to the Railroad Commission.

Dated at San Francisco, California, this ninth day of July, 1920.

DECISION NO. 7851.

IN THE MATTER OF THE APPLICATION OF REDONDO HOME TELEPHONE COMPANY FOR AUTHORITY TO INCREASE RATES FOR TELEPHONE SERVICE.

Application No. 5006.

Decided July 9, 1920.

BY THE COMMISSION.

FIRST SUPPLEMENTAL ORDER.

Good cause appearing,

It is hereby ordered, that the primary rate area defined in Decision No. 7380, dated April 8, 1920, be and the same is hereby amended to conform to the following:

Bounded on the north by the northerly city limits of Manhattan Beach from the ocean to El Camino Real; by that portion of the north-

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ern city limits of Hermosa Beach between El Camino Real and Harper avenue, and by that portion of the city limits of Redondo Beach which joins the easterly city limits of Redondo Beach and Hermosa Beach. Bounded on the east by the easterly city limits of Redondo Beach, Hermosa Beach and that portion of El Camino Real which joins the northern city limits of Hermosa and Manhattan beaches; on the south by the southern city limits of Redondo Beach and on the west by the ocean.

It is further ordered, that Decision No. 7380 remain in full force and effect except as modified by this first supplemental order.

Dated at San Francisco, California, this ninth day of July, 1920.

DECISION No. 7852.

IN THE MATTER OF THE APPLICATION OF SATICOY WATER COMPANY, A CORPORATION, FOR PERMISSION TO EXECUTE A PROMISSORY NOTE.

Application No. 5287.

Decided July 9, 1920.

BY THE COMMISSION.

FIRST SUPPLEMENTAL ORDER.

Whereas, the Railroad Commission by Decision No. 7375, dated April 5, 1920, authorized Saticoy Water Company to issue to Farmers and Merchants Bank of Santa Paula its three-year 6 per cent promissory note in the principal amount of $6,000; and

Whereas, in a supplemental petition filed June 28, 1920, in the above entitled matter, Saticoy Water Company asks permission to issue to Farmers and Merchants Bank of Santa Paula its one-year 7 per cent promissory note for $6,000 in lieu of the three-year 6 per cent note authorized by Decision No. 7375; and

Whereas, applicant asks permission to renew said note from time to time for a period of three years upon the same terms and conditions, and it appearing to the Railroad Commission that applicant's petition should be granted; now, therefore,

It is hereby ordered, that the order in Decision No. 7375, dated April 5, 1920, be and it is hereby modified so as to permit Saticoy Water Company to issue to Farmers and Merchants Bank of Santa Paula, its one-year 7 per cent promissory note in the principal amount of $6,000 in lieu of the three-year 6 per cent note for $6,000, the issue of which was authorized by said Decision No. 7375, and renew upon the same conditions said 7 per cent note from time to time, provided

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that the term of the note herein authorized to be issued, together with the terms of any renewal notes, shall not exceed three years from the date of this order.

It is hereby further ordered, that the order in Decision No. 7375, dated April 5, 1920, shall remain in full force and effect, except as modified by this first supplemental order.

Dated at San Francisco, California, this ninth day of July, 1920.

DECISION No. 7854.

IN THE MATTER OF THE APPLICATION OF MOUNT WHITNEY POWER AND ELECTRIC COMPANY FOR AUTHORITY TO SELL AND CONVEY TO SOUTHERN CALIFORNIA EDISON COMPANY, AND OF SOUTHERN CALIFORNIA EDISON COMPANY TO PURCHASE FROM MOUNT WHITNEY POWER AND ELECTRIC COMPANY, THE BUSINESS, FRANCHISES AND PROPERTY OF SAID MOUNT WHITNEY POWER AND ELECTRIC COMPANY.

Application No. 5537.

Decided July 9, 1920.

BY THE COMMISSION.

FIRST SUPPLEMENTAL ORDER.

It is hereby declared, that Southern California Edison Company has filed a stipulation, as provided in the order heretofore made in this proceeding on June 14, 1920, which stipulation states that neither said company, its successors nor assigns will claim before the Railroad Commission or any other public body, a value for the franchises acquired by it from Mount Whitney Power and Electric Company, under and by virtue of a conveyance to it by said Mount Whitney Power and Electric Company, under authority of Decision No. 7710, dated June 14, 1920, in excess of the amount paid to the grantors of the various franchises thus conveyed as a consideration for the granting of such franchises, and which amount is reported at $1,927.70.

It is hereby further ordered, that the order in Decision No. 7710 dated June 14, 1920, shall remain in full force and effect, except as modified by this first supplemental order.

Dated at San Francisco, California, this ninth day of July, 1920.

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DECISION NO. 7855.

IN THE MATTER OF THE APPLICATION OF SAN JOAQUIN LIGHT AND POWER CORPORATION FOR AUTHORITY TO RENEW CERTAIN NOTES.

Application No. 5901.

Decided July 10, 1920.

Murray Bourne, for Applicant.

DEVLIN, *Commissioner*.

OPINION.

San Joaquin Light and Power Corporation asks permission to issue notes for a term of one year, or less, in the aggregate face value of $388,163.31, to pay or refund notes now outstanding.

A. E. Peat, treasurer of San Joaquin Light and Power Corporation, testified that the moneys secured by the original issue of each note referred to in this application were used by applicant for the acquisition of property and for the construction, extension and improvement of its facilities and service, and that none of the moneys were used to pay operating expenses.

Applicant is engaged in constructing a new hydroelectric generating plant and installing an additional unit in its Bakersfield electric generating plant, and it is primarily because of increasing its electric generating facilities and existing money market conditions that applicant has been obliged to issue short term notes.

I herewith submit the following form of order:

ORDER.

San Joaquin Light and Power Corporation, having applied to the Railroad Commission for authority to issue $388,163.31 face value of notes, a public hearing having been held, and it appearing to the Railroad Commission that the money, property or labor to be procured or paid for by such issue is reasonably required for the purpose or purposes specified in this order, and that the expenditures for such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income;

It is hereby ordered, that San Joaquin Light and Power Corporation be and it is hereby authorized to issue at not less than their face value, its promissory notes, bearing interest at not to exceed 8 per cent per annum, and for a term of not exceeding one year, for the purpose of paying or renewing the following promissory notes now outstanding:

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Payee	Due date of note to be renewed	Interest, per cent	Amount
First National Bank of Clovis	10/ 9/20	7	$6,000 00
First State Bank of Clovis	10/10/20	7	2,500 00
Bank of Lemoore	10/ 9/20	7	7,500 00
Bank of Italy, Madera	10/ 9/20	7	5,000 00
Growers National Bank, Fresno	10/24/20	6	20,000 00
Security Trust and Savings Bank, Los Angeles	7/30/20	6	75,000 00
Selma National Bank	8/15/20	7	3,500 00
Chowchilla National Bank	10/30/20	6	5,000 00
Bank of Italy, Fresno	9/ 4/20	7	20,000 00
Union National Bank, Fresno	9/ 4/20	6	20,000 00
Bank and Trust Company of Central California	9/ 4/20	7	20,000 00
First National Bank of Del Rey	12/12/20	7½	2,500 00
Security Trust Company of Bakersfield	9/ 8/20	7	15,000 00
National Bank of Bakersfield	9/10/20	6	10,000 00
First Bank of Kern, Bakersfield	9/11/20	6	9,000 00
Security Trust and Savings Bank, Los Angeles	9/11/20	6½	50,000 00
United States National Bank, Los Angeles	9/22/20	8	25,000 00
First National Bank, Madera	10/ 9/20	7	2,500 00
First National Bank of Kingsburg	10/ 9/20	7	6,000 00
First National Bank of Corcoran	10/ 9/20	7	5,000 00
First National Bank of Lemoore	10/ 9/20	7	5,000 00
First National Bank of Sanger	10/29/20	8	3,500 00
Commercial Bank of Sanger	10/ 9/20	7	2,500 00
National Bank of Orosi	10/ 9/20	8	2,500 00
Bank of Italy, Merced	10/11/20	7	5,000 00
Kingsburg Bank	10/ 9/20	7	5,000 00
E. I. Dupont de Nemours & Co	9/ 4/20	6	30,163 31
Baker, Hamilton & Pacific Company	9/15/20	6	25,000 00

The authority herein granted is subject to the following conditions:

1. Applicant may, if it so desires, issue notes for a period of less than one year and renew said notes from time to time, provided that the combined terms of the original note or notes issued under the authority herein granted and the term of the note or notes issued in renewal thereof does not exceed one year after the due date of the notes now outstanding and referred to in this order.

2. San Joaquin Light and Power Corporation shall keep such record of the issue of the notes herein authorized and of the disposition of the proceeds as will enable it to file on or before the twenty-fifth day of each month a verified report, as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

3. The authority herein granted will not become effective until applicant has paid the fee prescribed in the Public Utilities Act.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this tenth day of July, 1920.

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DECISION NO. 7856.

IN THE MATTER OF THE APPLICATION OF SAN JOAQUIN LIGHT AND POWER CORPORATION FOR AUTHORITY TO INDORSE CERTAIN COLLATERAL NOTES OF MIDLAND COUNTIES PUBLIC SERVICE CORPORATION.

Application No. 5902.

Decided July 10, 1920.

Murray Bourne, for Applicant.

DEVLIN, *Commissioner*.

OPINION.

The Railroad Commission is asked to make an order authorizing San Joaquin Light and Power Corporation to indorse notes to be issued by Midland Counties Public Service Corporation.

In Application No. 5881, Midland Counties Public Service Corporation asks permission to deposit as collateral $605,000 of its first and refunding mortgage 6 per cent gold bonds due October 1, 1953, to secure the payment of notes. The relationship between Midland Counties Public Service Corporation and applicant is more fully set forth in the decision in Application No. 5881. The testimony shows that Midland Counties Public Service Corporation is indebted to San Joaquin Light and Power Corporation in excess of $800,000; that all moneys obtained through the issue of notes, the payment of which will be secured by the deposit of the $605,000 of bonds, will be used to pay indebtedness due applicant herein, and that the moneys thus received by applicant will enable it to continue, and probably complete, the construction of its Kerckhoff hydroelectric generating plant and the installation of the additional unit in its Bakersfield electric generating plant.

I herewith submit the following form of order:

ORDER.

San Joaquin Light and Power Corporation having asked permission to indorse notes to be issued by Midland Counties Public Service Corporation, a public hearing having been held and the Commission being of the opinion that this application should be granted;

It is hereby ordered, that San Joaquin Light and Power Corporation be and it is hereby granted authority to indorse the notes, the payment of which Midland Counties Public Service Corporation may secure by the deposit of the $605,000 of bonds, the issue and deposit of which is authorized by the Commission in its decision in Application No. 5881.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this tenth day of July, 1920.

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DECISION NO. 7857.

IN THE MATTER OF THE APPLICATION OF WESTERN STATES GAS AND ELECTRIC COMPANY FOR AN ORDER AUTHORIZING THE ISSUE OF ITS FIVE-YEAR SIX AND ONE-HALF PER CENT NOTES OF THE PAR VALUE OF THREE HUNDRED THOUSAND DOLLARS.

Application No. 5877.

Decided July 10, 1920.

Chickering and Gregory, by *Allen Chickering*, for Applicant.

DEVLIN, *Commissioner*.

OPINION.

Western States Gas and Electric Company asks permission to issue and sell at not less than 92 per cent of their face value and accrued interest $300,000 of 6½ per cent notes due August 1, 1923; issue and pledge $439,000 face value of its 5 per cent bonds due June 1, 1943; to secure the payment of the $300,000 of notes and other notes issued pursuant to the authority granted in Decision No. 5528, dated July 1, 1918, in Application No. 3868. Applicant further asks that it be permitted to use the proceeds obtained from the sale of its notes to reimburse its treasury because of moneys expended to pay for the construction of additions and betterments to May 31, 1920, referred to in exhibits attached to the petition herein.

Applicant reports that from November 30, 1916, to May 31, 1920, it has expended for additions and betterments the sum of $2,039,904.87, of which it has paid $1,731,767.80 through the sale of stock, bonds and notes and the temporary investment of reserve for accrued depreciation, leaving a balance of $308,137.07, against which no stock, bonds or notes have been issued by it.

By Decision No. 6117, dated February 13, 1919, as amended, in Application No. 4312, the Railroad Commission authorized applicant to issue and sell at not less than 82½ per cent of their face value plus accrued interest, on or before December 31, 1920, $450,000 of bonds. Applicant reports that it has issued and sold $252,000 of the bonds, leaving $198,000 unissued. Applicant asks the Commission to modify the order in Decision No. 6117 so as to permit it to use the $198,000 of unissued bonds as collateral. A supplemental order in Application No. 4312 will take care of this matter. The $198,000 of bonds are included in the $439,000 of bonds referred to in the first paragraph of this opinion.

By Decision No. 7276, dated March 17, 1920, the Railroad Commission, among other things, authorized applicant to use the proceeds from the sale of the $198,400 of stock to pay the cost of constructing additions and betterments. None of this stock has been sold to date. Both the order in Decision No. 7276 and Decision No. 6117 have been

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modified, and as modified permit applicant to use the proceeds from the sale of stock or bonds only for such purposes as the Railroad Commission may hereafter authorize.

The testimony shows that, although applicant asks permission to use the proceeds from the sale of the $300,000 of notes to reimburse its treasury, it will use such proceeds after the reimbursement of its treasury to liquidate indebtedness reported in its Exhibit No. "1" and in its Exhibit No. "2."

By Decision No. 5528, dated July 1, 1918, in Application No. 3868, the Railroad Commission authorized applicant to execute an agreement to secure the payment of $1,500,000 face value of five-year 6½ per cent collateral trust notes due August 1, 1923. Pursuant to the authority heretofore granted, applicant has issued $690,000 of these notes and has secured the payment of such notes by the deposit of $959,000 of its 5 per cent bonds. Applicant now asks permission to issue additional notes in the amount of $300,000 to secure the payment of such notes and those heretofore issued by the deposit of $439,000 of additional bonds. If the notes herein authorized are issued and sold and the bonds deposited, applicant will have outstanding $990,000 of its 6½ per cent notes due August 1, 1923, the payment of which will be secured by $1,398,000 of its 5 per cent bonds.

I herewith submit the following form or order:

ORDER.

Western States Gas and Electric Company having applied to the Railroad Commission for permission to issue $300,000 of notes and issue and pledge $439,000 of its 5 per cent bonds, a public hearing having been held and the Railroad Commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required for the purpose or purposes specified in this order, and that the expenditures for such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income;

It is hereby ordered, that Western States Gas and Electric Company be and it is hereby authorized to issue $300,000 face value of its 6½ per cent collateral trust notes, due August 1, 1923, and to issue and deposit as collateral to secure the payment of said notes and those notes heretofore issued pursuant to the authority granted in Decision No. 5528, dated July 1, 1918, $439,000 face value of its 5 per cent bonds due June 1, 1941.

The authority herein granted is subject to the following conditions:

1. The notes herein authorized to be issued shall be sold by applicant, for cash, at not less than 92 per cent of their face value plus accrued interest and the proceeds used to reimburse applicant's

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treasury and finance construction expenditures incurred prior to May 31, 1920, as reported in exhibits attached to the petition herein, provided that all of said proceeds be used to pay indebtedness reported in Exhibit No. "1" and Exhibit No. "2," attached to the petition herein.

2. Of the bonds herein authorized to be issued and pledged as collateral security for the payment of notes, $198,000 may be issued and sold pursuant to the authority granted by the Commission in Decision No. 6117, dated February 13, 1919, as amended. The remainder of the bonds herein authorized to be issued and pledged as collateral shall upon the payment of the notes be returned to applicant's treasury, and thereafter issued only upon further order of this Commission.

3. The authority herein granted will not become effective until applicant has paid the fee prescribed by the Public Utilities Act.

4. On or before the twenty-fifth day of each month, applicant shall file with the Railroad Commission such statements as are required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

5. The authority herein granted shall apply only to such notes and bonds as may be issued, sold and pledged on or before December 31, 1920.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this tenth of July, 1920.

DECISION NO. 7858.

IN THE MATTER OF THE APPLICATION OF WESTERN STATES GAS AND ELECTRIC COMPANY, A CORPORATION, FOR AN ORDER AUTHORIZING THE ISSUE OF PREFERRED STOCK OF THE PAR VALUE OF SIX HUNDRED THREE THOUSAND DOLLARS.

Application No. 5328.

Decided July 10, 1920.

BY THE COMMISSION.

FIRST SUPPLEMENTAL ORDER.

Good cause appearing;

It is hereby ordered, that Condition 4 of the order in Decision No. 7276, dated March 17, 1920, reading:

The proceeds obtained from the sale of $198,400 of stock shall be used by applicant to pay for the construction of the extensions, additions and betterments referred to in Exhibit "6" attached to the petition herein.

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be and it is hereby amended so as to read:

The proceeds from the sale of $198,400 of stock shall be used only for such purposes as the Railroad Commission may authorize by supplemental order or orders herein.

It is hereby further ordered, that the order in Decision No. 7276, dated March 17, 1920, shall remain in full force and effect except as modified by this first supplemental order.

Dated at San Francisco, California, this tenth day of July, 1920.

DECISION NO. 7859.

IN THE MATTER OF THE APPLICATION OF WESTERN STATES GAS AND ELECTRIC COMPANY FOR AN ORDER AUTHORIZING THE ISSUE OF BONDS OF THE FACE VALUE OF FOUR HUNDRED FIFTY THOUSAND DOLLARS.

Application No. 4312.

Decided July 10, 1920.

BY THE COMMISSION.

SEVENTH SUPPLEMENTAL ORDER.

Whereas, applicant in the above entitled matter reports that it has sold $252,000 of the $450,000 of bonds which it is authorized to issue and sell on or before December 31, 1920, by Decision No. 6117, dated February 13, 1919, as amended, leaving $198,000, unissued; and

Whereas, applicant asks permission to use the $198,000 of unissued bonds in conjunction with other bonds as collateral to secure the payment of notes, and therefore asks the Commission to modify the order in Decision No. 6117, dated February 13, 1919, as amended, and the Commission being of the opinion that applicant's request should be granted; now, therefore,

It is hereby ordered, that the order in Decision No. 6117, dated February 13, 1919, be and it is hereby modified so as to permit Western States Gas and Electric Company to pledge $198,000 of the bonds, the issue of which is authorized in said decision, to secure in part the payment of its five-year 6½ per cent notes, payable August 1, 1923, or sell said bonds as permitted in said Decision No. 6117, dated February 13, 1919, said $198,000 of bonds being a part of the $439,000 of bonds, the issue and pledging of which is authorized by the Commission in its decision in Application No. 5877.

It is hereby further ordered, that Condition "2" of the order in Decision No. 6117, dated February 13, 1919, as amended, be and it is hereby modified so as to permit applicant to expend any proceeds obtained from the sale of any of the $198,000 of bonds only for such

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purposes as the Railroad Commission may authorize by a supplemental order or orders in this proceeding.

It is hereby further ordered, that the order in Decision No. 6117, dated February 13, 1919, as amended, shall remain in full force and effect, except as modified by this seventh supplemental order.

Dated at San Francisco, California, this tenth day of July, 1920.

DECISION No. 7865.

IN THE MATTER OF THE APPLICATION OF MIDLAND COUNTIES PUBLIC SERVICE CORPORATION FOR AN ORDER AUTHORIZING THE ISSUE OF BONDS AND FOR AN ORDER AMENDING THE ORDER IN CALIFORNIA RAILROAD COMMISSION'S DECISION NUMBER 6165.

Application No. 5881.

Decided July 10, 1920.

Murray Bourne, for Applicant.

DEVLIN, *Commissioner*.

OPINION.

Midland Counties Public Service Corporation asks permission to issue $605,000 face value of its first and refunding mortgage 6 per cent gold bonds, due October 1, 1953, and sell said bonds at not less than 85 per cent of their face value plus accrued interest, or deposit them as collateral to secure the payment of notes issued for a term of one year or less.

In Decision No. 6165, dated February 26, 1919, the Railroad Commission authorized applicant to issue and sell on or before December 1, 1919, at not less than 90 per cent of their face value plus accrued interest, $449,000 of bonds, and use the proceeds to finance expenditures incurred on capital account prior to October 31, 1918, and similar expenditures made subsequent to October 31, 1918. Applicant reports that it has sold none of the bonds and that under present market conditions it is impossible to sell the bonds at 90 plus accrued interest.

The $449,000 of bonds are included in the $605,000 referred to above. This application in effect thus involves the issue of only $156,000 of additional bonds.

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Applicant in Exhibit C reports as of May 31, 1920, assets and liabilities as follows:

Assets.

Rights and franchises	$1,148,159 72
Organization expenses	2,564 39
Plant	1,721,976 89
Sinking fund	109,929 17
Treasury securities	9,090 00
Deposit with State treasurer for liability insurance	5,000 00
Current assets	193,722 24
Prepaid rents, insurance, etc.	907 21
Prepaid taxes, licenses, etc.	1,356 85
Unamortized bond discount and expense	44,669 21
Miscellaneous undistributed disbursements	25,851 02
Unaudited invoices payable—contra entry—suspense	33,549 70
Total assets accounts	$3,296,776 40

Liabilities.

Stock outstanding	$1,000,500 00
Assessments	200,100 00
Bonds outstanding	859,000 00
Current liabilities	1,013,119 61
Unaudited invoices payable, suspense	33,549 70
Surplus and reserves	190,507 09
Total liability accounts	$3,296,776 40

The record shows that stockholders of Midland Counties Public Service Corporation own or control more than one half of the outstanding stock of San Joaquin Light and Power Corporation. To enable applicant to construct extensions and meet its obligations, San Joaquin Light and Power Corporation has advanced to applicant, according to the testimony, more than $800,000.

While I am not satisfied that all of this money was used to pay construction expenses, I do believe that the money so used is in excess of $605,000, the amount of bonds which applicant asks permission to issue.

As said above, in Decision No. 6165, dated February 26, 1919, the Railroad Commission authorized applicant to issue $449,000 of bonds, $374,000 of which were authorized to be issued against expenditures made prior to October 31, 1918, and $75,000 to pay for construction expenditures subsequent to that date.

Applicant in its Exhibit A in this proceeding reports that it has expended for construction purposes from October 31, 1918, to May 31, 1920, the sum of $272,035.95. Against this expenditure should be allocated the $75,000 of bonds to which reference has been made and the $156,000 of additional bonds applicant asks permission to issue and which, added to the $449,000, make up the total of $605,000 of bonds covered by this application.

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Applicant asks permission to sell the $605,000 of bonds at not less than 85 per cent of their face value, plus accrued interest, or deposit them as collateral to secure the payment of short term notes. A. E. Peat, treasurer and comptroller of Midland Counties Public Service Corporation, testified that in his opinion the company will be able to obtain through the pledging of the bonds from $340,000 to $350,000.

He further testified that all money realized by applicant through the issue of its short term notes will be used to pay indebtedness due San Joaquin Light and Power Corporation and thus enable that company to continue and probably complete the construction of its Kerckhoff hydroelectric generating plant and the installation of an additional unit in its Bakersfield electric generating plant.

The Commission in its decision in Application No. 5902, to which reference is here made, authorized San Joaquin Light and Power Corporation to indorse the notes of applicant, the payment of which will be secured by the deposit of bonds herein authorized.

I herewith submit the following form of order:

ORDER.

Midland Counties Public Service Corporation having applied to the Railroad Commission for permission to issue $605,000 of bonds, a public hearing having been held and the Railroad Commission being of the opinion that the money, property or labor to be procured or paid for through such issue is reasonably required for the purpose or purposes specified in this order, and that the expenditures for such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income;

It is hereby ordered, that Midland Counties Public Service Corporation be and it is hereby authorized to issue $605,000 face value of its first and refunding mortgage 6 per cent gold bonds due October 1, 1953.

The authority herein granted is subject to the following conditions:

1. The bonds herein authorized to be issued shall be sold by applicant for not less than 85 per cent of their face value plus accrued interest or may be deposited by applicant to secure the payment of short term notes payable within a period of not more than one year after date, provided that the face value of the notes secured by the bonds herein authorized to be deposited as collateral, shall not be less than 55 per cent of the face value of the bonds deposited, and that as payments are made on said notes, a proper proportion of the bonds deposited as collateral be returned to applicant's treasury.

2. All moneys obtained through the deposit of the bonds herein authorized to be issued shall be used by applicant to pay indebtedness due San Joaquin Light and Power Corporation.

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3. Any moneys obtained from the sale of the bonds herein authorized shall be expended by applicant only for such purposes as the Railroad Commission may authorize by supplemental order or orders herein.

4. Midland Counties Public Service Corporation shall keep such record of the issue, sale or deposit of the bonds herein authorized and of the disposition of the proceeds as will enable it to file on or before the twenty-fifth day of each month a verified report, as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

5. The authority herein granted will not become effective until applicant has paid the fee prescribed in the Public Utilities Act.

6. The authority herein granted will apply only to such bonds as may be issued, sold or deposited as collateral on or before December 31, 1920.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this tenth day of July, 1920.

DECISION NO. 7868.

NEW IDRIA QUICKSILVER MINING COMPANY, A CORPORATION,

vs.

COAST VALLEYS GAS AND ELECTRIC COMPANY, A CORPORATION.

Case No. 1451.

Decided July 12, 1920.

ELECTRIC RATES—SURCHARGE—FAILURE TO BILL FOR.—The complaint of a large consumer of an electric utility seeking to avoid payment of a corrected bill submitted to it by the utility covering a surcharge legally established which the utility through omission neglected to add to its regular monthly bills is dismissed on the ground that failure of the utility to bill the legally established rate for the service rendered does not absolve the consumer from payment of the proper charge for such service.

BY THE COMMISSION.

OPINION.

New Idria Quicksilver Mining Company, supplied with electricity by Coast Valleys Gas and Electric Company, alleges an overcharge in the sum of $1,485 for service rendered for the 11 months ending February 25, 1920, and asks that same be not allowed defendant.

Complainant is charged by defendant for service in accordance with a rate set forth in a contract between the parties hereto, dated April 8, 1918, which provides that the consumer shall pay the power company an annual minimum of $9,000, and further provides that the power

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company shall render its bills monthly. There are numerous other provisions in this contract, which, however, do not bear directly upon the issues herein.

It appears that the complainant's use of electricity during the period above mentioned did at no time exceed the minimum charges of the contract, whereupon the defendant rendered a monthly minimum bill of $750. Defendant, however, through inadvertence, failed to add to the monthly minimum bills of $750 each the 20 per cent surcharge authorized it in accordance with Decision No. 6193 of this Commission in Application No. 4218 of the Coast Valleys Gas and Electric Company for authority to increase its rates for electricity, and, upon discovering this error, rendered complainant, on February 20, 1920, a bill correcting its previous omissions of the surcharge.

The order in Decision No. 6193, *supra*, authorized defendant herein to charge and collect for energy sold for power purposes a surcharge of 20 per cent of monthly bills, effective on all regular meter readings taken on and after the 20th day of March, 1919. It, therefore, appears that for all service rendered by defendant to complainant from the the 25th day of March, 1919, to the 25th day of February, 1920, the proper charge for such service was the monthly minimum charge of $750 per month provided for in the above mentioned contract and, in addition thereto, the surcharge of 20 per cent of said monthly minimum charges.

The fact that the defendant, through oversight, failed to bill the surcharge, which, in accordance with the order of this Commission, was a proper part of its rates and charges for electricity, does not absolve the complainant from the payment of such proper charges.

ORDER.

Complaint having been filed by New Idria Quicksilver Mining Company against Coast Valleys Gas and Electric Company involving the propriety of certain charges for service rendered for the 11 months ending February 25, 1920, defendant having filed its answer thereto, and the Railroad Commission of the State of California, after investigation, being of the opinion that the duly authorized surcharge of 20 per cent in addition to the monthly minimum bills rendered by defendant to complainant are proper charges and in accordance with the contract between the parties hereto and the orders of this Commission, and being further of the opinion that a hearing is not necessary in this matter;

It is hereby ordered, that the above entitled proceeding be and the same is hereby dismissed.

Dated at San Francisco, California, this twelfth day of July, 1920.

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DECISION NO. 7872.

IN THE MATTER OF THE APPLICATION OF GREAT WESTERN POWER COMPANY OF CALIFORNIA FOR AN ORDER AUTHORIZING INCREASE IN RATES.

Application No. 5585.

Decided July 14, 1920.

BY THE COMMISSION.

SUPPLEMENTAL ORDER.

In establishing the rates to be charged for electric service by Great Western Power Company in Decision No. 7824, dated June 30, 1920, in the above entitled proceeding, provision was not made for rates to be charged for direct current service where supplied except in the city and county of San Francisco. The order herein fixes just and reasonable rates for this service.

ORDER.

Based on the foregoing considerations:

It is hereby ordered, that Schedule P-1, set forth in the order in Decision No. 7824, be and the same is hereby revised and amended to read as follows:

Schedule P-1.

Cancels Great Western Power Company's former schedules Nos. 500, 500-O, 502, 503, 504, 505, 508, 509, 510, 514, 516, 519, 530, 531, 532.

GENERAL POWER SERVICE.

Service.

Applies to alternating power service, except as provided under special conditions for direct current service.

Territory.

Applicable to entire Great Western Power Company's system, except in Butte and Plumas counties.

Rate.

Consumption per horsepower per month	Rate per kilowatt hour for active loads of Less than 10 h.p.	10 h.p. to 24 h.p.	25 h.p. to 49 h.p.	50 h.p. to 99 h.p.
First 60 kilowatt hours	4.0 cents	3.6 cents	3.1 cents	2.6 cents
Next 60 kilowatt hours	2.1 cents	2.0 cents	2.0 cents	1.7 cents
Next 60 kilowatt hours	1.3 cents	1.3 cents	1.3 cents	1.2 cents
Over 180 kilowatt hours	1.2 cents	1.1 cents	1.0 cent	1.0 cent

	Rate per kilowatt hour for active loads of 100 h.p. to 299 h.p.	300 h.p. to 799 h.p.	800 h.p. and over
First 60 kilowatt hours	2.2 cents	2.0 cents	1.8 cents
Next 60 kilowatt hours	1.5 cents	1.2 cents	1.1 cents
Next 60 kilowatt hours	1.1 cents	1.0 cent	0.9 cent
Over 180 kilowatt hours	0.9 cent	0.9 cent	0.8 cent

Minimum charge.

a. Connected load basis $1 per month per horsepower of active connected load for the first 50 horsepower, plus 60 cents per month per horsepower for each horsepower of load in excess of 50 horsepower, but not less than $2 per month.

b. Maximum demand basis—$1 per month per horsepower of measured maximum demand, which shall not be considered as less than 20 per cent of the total active connected load, and in no case less than $50 per month.

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Special conditions.

a. Direct current service—If the company elects to supply direct current the charges for direct current service shall be in accordance with the above rates and minimums. If the consumer elects to use direct current when both direct and alternating current service are available the charges for direct current service shall be 10 per cent in addition to the above rates and minimums.

b. Maximum demand—Consumers having a total connected load in excess of 50 horsepower, consisting of two or more motors, may, upon request, have the rate and minimum based upon the maximum demand, which is defined as the greatest average horsepower demand registered during any 15-minute interval during the month; except that for service to intermittent loads such as elevators, hoists, etc., the interval of registration may be 3 minutes instead of 15 minutes.

c. Option of rates for larger installations—Any consumer may obtain the rates for a larger installation by guaranteeing the rates and minimums applicable to the larger installation.

It is hereby further ordered, that the surcharge of 15 per cent authorized in Decision No. 7824 shall apply to the rates hereinabove set forth, and both the above rates and surcharge shall apply to service rendered in accordance with the effective date of Decision No. 7824 herein.

Provided, Great Western Power Company shall within ten days of the date of this order file with the Railroad Commission the schedules of rates herein established.

Dated at San Francisco, California, this fourteenth day of July, 1920.

DECISION NO. 7873.

IN THE MATTER OF THE APPLICATION OF THE PACIFIC GAS AND ELECTRIC COMPANY, A CORPORATION, FOR AN ORDER OF THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA AUTHORIZING APPLICANT TO INCREASE ITS RATES AND CHARGES FOR ELECTRIC ENERGY.

Application No. 5567.

Decided July 14, 1920.

BY THE COMMISSION.

SUPPLEMENTAL ORDER.

In establishing the rates to be charged for electric service by Pacific Gas and Electric Company in Decision No. 7823, dated June 30, 1920, in the above entitled proceeding, provision was not made for rates to be charged for direct current service where supplied, except in the city and county of San Francisco. The order herein fixes just and reasonable rates for this service.

It further appears that the rates for metered service for electricity supplied in the town of Roseville by Pacific Gas and Electric Company superseding flat rates formerly in effect can not be immediately effective until meters shall be installed for the measurement of electricity. The order herein will therefore provide for the continuation of the existing flat rates of Pacific Gas and Electric Company in the town of

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Roseville for a period of ninety days pending the installation of meters.

ORDER.

Based on the foregoing considerations;

It is hereby ordered, that Schedule P-1, as set forth in the order in Decision No. 7823, be and the same is hereby revised and amended to read as follows:

Schedule P-1.

Cancels schedules of former Pacific Gas and Electric system Nos. 112, 120, 121, 133, 137, 142, 143, 143-x, 144, 146, 156, 157, 157-x, 162, 163, 171, 175, 203, 209.

GENERAL COMMERCIAL AND INDUSTRIAL POWER SERVICE.

Applicable to alternating current power service, except as provided under special conditions for direct current service.

Territory.

Applicable to entire former Pacific Gas and Electric Company's system.

Rate.

Consumption per horsepower per month	Rate per kilowatt hour for active loads of: Less than 10 h.p.	10 h.p. to 24 h.p.	25 h.p. to 49 h.p.	50 h.p. to 99 h.p.
First 60 kilowatt hours	4.0 cents	3.6 cents	3.1 cents	2.6 cents
Next 60 kilowatt hours	2.1 cents	2.0 cents	2.0 cents	1.7 cents
Next 60 kilowatt hours	1.3 cents	1.3 cents	1.3 cents	1.2 cents
Over 180 kilowatt hours	1.2 cents	1.1 cents	1.0 cent	1.0 cent

Consumption per horsepower per month	Rate per kilowatt hour for active loads of: 100 h.p. to 299 h.p.	300 h.p. to 799 h.p.	800 h.p. and over
First 60 kilowatt hours	2.2 cents	2.0 cents	1.8 cents
Next 60 kilowatt hours	1.5 cents	1.2 cents	1.1 cents
Next 60 kilowatt hours	1.1 cents	1.0 cent	0.9 cent
Over 180 kilowatt hours	0.9 cent	0.9 cent	0.8 cent

Minimum charge.

a. Connected load basis—$1 per month per horsepower of active connected load for the first 50 horsepower, plus 60 cents per month per horsepower for each horsepower of load in excess of 50 horsepower, but not less than $2 per month.

b. Maximum demand basis—$1 per month per horsepower of measured maximum demand which shall not be less than 20 per cent of the total active connected load, and in no case less than $50 per month.

Special conditions.

a. Direct current service—If the company elects to supply direct current, the charges for direct current service shall be in accordance with the above rates and minimums.

If the consumer elects to use direct current when both direct and alternating current service are available the charges for direct current service shall be 10 per cent in addition to the above rates and minimums.

b. Maximum demand—Consumers having a total connected load in excess of 50 horsepower, consisting of two or more motors, may, upon request, have the rate and minimum based on the maximum demand, which is defined as the greatest average horsepower demand registered during any 15-minute interval during the month; except that for service to intermittent loads, such as elevators, hoists, etc., the interval of registration may be 3 minutes instead of 15 minutes.

c. Option of rate for larger installation—Any consumer may obtain the rates for a larger installation by guaranteeing the rates and minimums applicable to the larger installation.

It is hereby further ordered, that Pacific Gas and Electric Company be and it is hereby authorized to continue in effect for a period of ninety days from the date of the original order herein, its schedule

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No. 139, being California Railroad Commission's Original Sheet No. 38-E, for flat rate service in the town of Roseville, to proceed with the installation of meters, and upon their installation to charge in accordance with the metered rates as established in Decision No. 7823.

It is hereby further ordered, that the surcharge of 15 per cent authorized in Decision No. 7823 shall apply to the rates hereinabove established, and both the above rates and surcharge shall apply to service rendered in accordance with the effective dates of Decision No. 7823 herein.

Provided, Pacific Gas and Electric Company shall within ten days of the date of this order file with the Railroad Commission the schedules of rates herein established.

Dated at San Francisco, California, this fourteenth day of July, 1920.

DECISION NO. 7874.

IN THE MATTER OF THE APPLICATION OF PACIFIC GAS AND ELECTRIC COMPANY, A CORPORATION, FOR AN ORDER OF THE RAILROAD COMMISSION AUTHORIZING IT TO ISSUE, SELL AND DELIVER ITS FIRST PREFERRED STOCK OF THE PAR VALUE OF ONE MILLION DOLLARS ($1,000,000) AND TO USE THE PROCEEDS FROM THE SALE OF SAID FIRST PREFERRED STOCK IN THE MANNER AND FOR THE PURPOSE DESCRIBED HEREIN.

Application No. 5898.

Decided July 14, 1920.

C. P. Cutten, for Applicant.

DEVLIN, *Commissioner*.

OPINION.

Pacific Gas and Electric Company asks permission to issue and sell at not less than $80 per share, 10,000 shares ($1,000,000) of its first preferred capital stock.

The testimony of Mr. A. F. Hockenbeamer, second vice president and treasurer of Pacific Gas and Electric Company, shows that applicant will need approximately $20,000,000 during the remainder of 1920 and in 1921 to proceed with its contemplated construction work and to install necessary additions and betterments.

The company is not at this time, however, in a position to advise the Commission as to the specific purpose for which it intends to expend the proceeds from the sale of the stock, and for that reason asks, and the order herein will provide, that all proceeds from the sale of the $1,000,000 of stock herein applied for, be deposited in its treasury and expended only for such purposes as the Railroad Commission might authorize in a supplemental order or orders.

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I herewith submit the following form of order:

ORDER.

Pacific Gas and Electric Company, having applied to the Railroad Commission for permission to issue 10,000 shares of its common capital stock of the par value of $100 a share, a public hearing having been held, and it appearing to the Railroad Commission that the money, property or labor to be procured or paid for by such issue is reasonably required for the purpose or purposes specified in the order, and that the expenditures for such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income;

It is hereby ordered, that the Pacific Gas and Electric Company be and it is hereby granted authority to issue and sell on or before December 31, 1920, at not less than $80 per share, 10,000 shares ($1,000,000) of its first preferred capital stock, subject to the following conditions and not otherwise:

1. All the proceeds obtained from the sale of the stock herein authorized shall be deposited by applicant in its treasury or in a special bank account, and expended only for such purposes as the Railroad Commission may authorize in a supplemental order or orders in this proceeding.

2. Pacific Gas and Electric Company shall keep such record of the issue and sale of the stock herein authorized and of the disposition of the proceeds as will enable it to file on or before the twenty-fifth day of each month a verified report, as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this fourteenth day of July, 1920.

DECISION NO. 7876.

IN THE MATTER OF THE APPLICATION OF THE HAWTHORNE ELECTRIC AND WATER COMPANY FOR AN ORDER INCREASING ITS RATES TO BE CHARGED FOR DISTRIBUTION OF WATER.

Application No. 5106.
Decided July 14, 1920.

BY THE COMMISSION.

SUPPLEMENTAL ORDER.

This Commission having by Decision No. 7809, dated June 28, 1920, made its order in the above entitled proceeding, and it appearing that certain typographical errors occur in the schedule of rates established therein, which require correction;

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It is hereby ordered, that Hawthorne Electric and Water Company be and it is hereby directed to file with the Railroad Commission within ten (10) days from the date of this order the following schedule of rates to be charged for water delivered to its consumers, and effective as of the date of the order in Decision No. 7809:

Meter Rates.

For 400 cubic feet or less	$1 00
For the next 600 cubic feet, per 100 cubic feet	0 20
For the next 1000 cubic feet, per 100 cubic feet	0 15
For all quantities over 2000 feet, per 100 cubic feet	0 12

Flat Rates.

1. For all residences	$1 50
For each automobile	0 25
For each horse or cow	0 20
2. Sprinkling or irrigation of lawns, shrubbery, trees, gardens, etc., per square yard of surface actually irrigated	½ cent

3. Meters will be installed at the expense of the utility upon request of any consumer who desires to be charged at meter rates.
4. The company reserves the right to install meters upon any service and to thereafter charge the meter rates.

Dated at San Francisco, California, this fourteenth day of July, 1920.

Decision No. 7877.

IN THE MATTER OF THE APPLICATION OF PACIFIC GAS AND ELECTRIC COMPANY, A CORPORATION, FOR AN ORDER OF THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA, AUTHORIZING APPLICANT TO INCREASE ITS RATES AND CHARGES FOR GAS FURNISHED AND SUPPLIED TO ITS CONSUMERS IN THE CITY AND COUNTY OF SAN FRANCISCO.

Application No. 5275.

IN THE MATTER OF THE APPLICATION OF PACIFIC GAS AND ELECTRIC COMPANY, A CORPORATION, FOR AN ORDER OF THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA, AUTHORIZING APPLICANT TO INCREASE ITS RATES AND CHARGES FOR GAS FURNISHED AND SUPPLIED TO ITS CONSUMERS IN CERTAIN DISTRICTS.

Application No. 5278.

Decided July 14, 1920.

GAS SERVICE—HEATING VALUE—QUALITY STANDARDS.—In connection with the Commission's General Order No. 58 establishing the quality of gas to be distributed at 570 B. T. U. the Commission assures consumers that it will continue its inspection of gas manufactured and delivered in order to insure a uniform quality of service and full value for rates paid and no increase in rates will be permitted unless the service conforms in all respects to such standards. Gas service at Oroville not being in conformity with established standards, increase in rates is deferred for a period of three months pending improvements in such service.

GAS SERVICE—HEATING VALUES—COST OF PRODUCTION.—Investigation showing that the manufacture of gas of 550 B. T. U. in the city of San Francisco and East Bay communities will result in considerable saving in cost of production

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which saving can be reflected in the rates established for such service revision of rates made on a basis of production and delivery of 550 instead of 570 B. T. U. gas.

Revised schedules of rates for gas service effecting increases of from 5 cents to 15 cents per 1000 cubic feet established to become effective for meter readings made on and after July 24, 1920.

C. P. Cutten, for Applicant.

George Lull and *John J. Dailey*, for the city and county of San Francisco.

Leon Gray, for city of Oakland.

William J. Locke, for cities of Alameda and San Anselmo.

Frank V. Cornish, for the city of Berkeley.

W. E. Simpson, for city of Fresno.

J. Oscar Goldstein, for city of Chico.

Raymond A. Leonard, for city of Oroville.

H. C. Bell, for city of Willows.

F. T. Nilon, for city of Nevada City.

John T. York, for city of Napa.

Harris P. Jones, for city of San Leandro.

D. J. Hall, for city of Richmond.

Archibald Yell, for city of Sacramento.

Charles W. Kitts, a ratepayer of San Francisco.

T. C. Judkins, for town of Emeryville.

L. B. Leavitt, J. P. Millott and *C. C. Isaacson*, for Labor Council of Vallejo.

H. P. Hatfield, secretary of the Chamber of Commerce of Vallejo.

L. B. Klein, for Pacific Gas and Electric Company's Consumers Association of Santa Clara County.

Mrs. H. J. Platts, for Women's Glenview Club of Oakland.

Mrs. Lydia Wolf, for Oakland Housewives' League.

Mrs. L. E. Aubury, for Community Club of Burlingame.

Mrs. S. Frances Emery, State Housewives' League of Fruitvale.

Mrs. S. B. Foster, representing Mrs. Dean of the San Francisco Housewives.

George Appel, for city of Daly City.

Archer Bowden, for city of San Jose.

Mrs. Harry Cobb, for Housewives' League of Oakland.

Mrs. W. T. Cleverdon, for State Housewives' League of California, and State Housewives' League of Berkeley.

D. T. Jenkins, for Los Gatos.

G. J. Bradley, for Sacramento Chamber of Commerce and Merchants' and Manufacturers' Traffic Association.

DEVLIN, *Commissioner*.

OPINION.

In these proceedings Pacific Gas and Electric Company seeks authority to increase its rates and charges for gas by reason of the increases in the cost of oil used in gas manufacture and in the prices paid by it for labor and material used in the operation and maintenance of its gas properties. These proceedings affect the gas rates of all of its consumers in northern and central California.

Applicant also supplies gas at wholesale for redistribution to the city of Palo Alto and the rate for this service, established May 28, 1918, by Decision No. 5440 in Application No. 3300, is not at issue at this

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time, as it provides for increases in the gas rate to correspond with the increased cost of oil.

By stipulation these proceedings were consolidated for hearing and decision. Numerous hearings were held in San Francisco and in Sacramento during April and May, 1920. The matter is now submitted and ready for decision.

With the exception of the rate for wholesale supply to the city of Palo Alto hereinabove mentioned, the rates and charges for gas of Pacific Gas and Electric Company now in effect were established by the Commission as follows:

In the city and county of San Francisco by Decision No. 4736, Case No. 889, dated October 8, 1917, and subsequently modified by the surcharge of 10 cents per thousand cubic feet in accordance with Decision No. 5445, Application No. 3742, decided May 28, 1918.

In the cities of Redding, Red Bluff, Willows and contiguous territory, formerly owned and operated by Northern California Power Company, Consolidated, by Decision No. 5121, Application No. 3326, decided February 7, 1918.

In all other cities and towns now supplied, by Decision No. 5439 in Application No. 3248, dated May 28, 1918, in which were established base rates and a surcharge of 10 cents per thousand cubic feet.

It is apparent, both from the evidence presented herein, and from the records of the Commission, that, as a result of the increases in operating costs which have arisen since the time the present rates were fixed, the present gas rates as a whole do not yield sufficient revenue to compensate for the present day level of prices of materials and particularly the ascending cost of oil.

On March 17, 1920, the oil producers of California increased the field price of oil by 25 cents per barrel, with corresponding increase in the retail market price to consumers. Pacific Gas and Electric Company purchases its oil, both for gas manufacture and for fuel in its electric generating stations, under a contract with Associated Oil Company, which provides for a price based upon the field price, certain charges for collection and gathering, transportation charges to tidewater points and freight charges to other points of delivery. The present ruling price, including the 25 cents per barrel increase of March 17, 1920, is $1.81 per barrel for San Francisco bay deliveries. The price of oil at other points is correspondingly greater by reason of the freight or barge transportation charges from tidewater to such points.

It will be recalled that the present rates, when fixed in 1918, were based upon a price of oil of $1.62 per barrel at tidewater, which, however, was subsequently adjusted to $1.56 per barrel, and the excess has been refunded to Pacific Gas and Electric Company, so that in revising the present rates it must be borne in mind that the increase in the price of oil to be absorbed is not the full amount of 25 cents per barrel, but only 19 cents per barrel, being the difference between

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the present $1.81 figure and the $1.62 upon which the present rates are based.

An analysis of the voluminous evidence presented by the applicant in these proceedings shows that, in spite of the increases in costs of operation, its sales of gas have increased considerably, and that the additions to its gas plants and systems have not required a capital expenditure at all in proportion to its increases in sales. Except for the latest increase in the cost of oil, its greater operating expenses since 1918 have, in many of its districts, been absorbed by the proportionally larger increase in its sales. By reason of these facts, and particularly because of the comparatively recent fixing of gas rates on applicant's system, and because of the emergency character of the present proceeding, it would hardly appear necessary at this time to resort to a detailed and extensive analysis of capital and depreciation in each of the operating districts of applicant's gas department. Investigations have been made of the changes that have transpired in sales, revenue, capital and operating expenses since the present rates were established, and it is my purpose at this time to ascertain the extent to which the rates now in effect fail to produce an adequate return.

In past decisions, the Commission has established reasonable returns for the several parts of applicant's gas properties. In Decision No. 4736, in Case No. 839, *supra,* it appears that a reasonable net income to provide for a fair return and depreciation on the San Francisco properties was, at that time, $1,382,914. In Decision No. 5439, Application No. 3248, a similar figure for all of the applicant's gas properties outside of the city and county of San Francisco, exclusive of Palo Alto service and the three plants since acquired from Northern California Power Company, Consolidated, was the sum of $1,440,359. If, to the aggregate of these amounts, we add $11,575 to cover depreciation and return for the properties used in the service to Palo Alto, and the sum of $7,738 for a similar item applicable to the Redding, Red Bluff and Willows gas systems, acquired from the Northern California Power Company, we arrive at a total of $2,842,586, which may properly be taken as a fair allowance for return and depreciation upon all of the present gas properties of applicant at the time the rates now in effect were fixed. To cover the additions and betterments for 1918 and 1919 to date, and making due allowance for the additions and betterments to be installed during the year 1920, the above allowance should be increased by $396,000, to provide 9 per cent return and 3 per cent depreciation upon $3,300,000 of new money invested. It is my conclusion, therefore, that if rates be now adjusted to provide a net income of $3,238,586, available for depreciation and return, after the deduction of all reasonable and proper operating expenses, such

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adjustment at this time will have fully provided for a fair return upon both the applicant's prior investment, and upon the additions to capital that have been made in the interim since the present rates were established.

The right to earn this return under present conditions is, of course, predicated on the assumption that Pacific Gas and Electric Company will give to its consumers the service not only required by the orders of this Commission but dictated by good business management and practice. The results of the first service inspection of applicant's several gas systems, since the establishment of the Commission's gas standards in General Order No. 58, discloses that applicant has not entirely met the full requirements of our order, and the investigations of our engineers confirm the necessity of much constructive work on the part of applicant's management to bring service conditions up to standard requirements.

In establishing General Order No. 58, effective September 1, 1919, the Commission promulgated a set of rules to be observed by all gas utilities, providing for standard heating content and purity of gas, for uniformity of pressure, for the keeping of proper records of gas operations and of complaints, for the testing of meters, and other matters in order that the consumers of gas utilities in California might be furnished a satisfactory and uniform gas service. It has necessarily taken some time for gas utilities, including applicant, to change their operations to conform to the requirements of this order, and, while instances have been found in which applicant has not fully observed these requirements, it appears that in general an earnest effort is being made to comply with the service and heating value standards and that a uniform quality of service will be rendered. Gas consumers throughout the state may be assured that the Commission will continue its inspections in order to insure to them a uniform quality of service and full value for the rates they pay.

Particular attention has been directed to the service conditions in Oroville, which are admittedly far below standard. Applicant attempts to absolve itself from criticism in this instance by reason of the valuation proceedings pending before the Commission, upon which the city of Oroville proposes to base condemnation proceedings to acquire applicant's gas properties in that city. It is, however, no sufficient answer to say that because of such contemplated action by the city of Oroville, applicant's consumers, pending the outcome of such proceedings, shall not be given the good service to which they would otherwise be entitled. In any valuation proceeding before this Commission proper allowances will always be made for improvements and additions to the property of a utility to be subsequently acquired by a municipality.

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It must be said, however, in fairness to applicant, that after the submission of this proceeding, it advised the Commission of its appropriation of some $13,000 for additions and betterments to improve service conditions in Oroville. As improved service conditions depend upon the completion of this work, I am of the opinion that an increase of rates in Oroville, even though warranted by an increase in operating expenses, should be deferred until such time as adequate service is restored.

The evidence further shows that consumers in the city of Sacramento have not been receiving gas of the standard quality required by the Commission, although the tests made by applicant's employees show apparent compliance with our requirements. The method of testing the heating content of gas in Sacramento has been shown to be erroneous. The necessary corrections have been made in testing the quality of gas supplied in Sacramento and assurance has been given that this difficulty will not again arise.

Some trouble has been experienced in Fresno during the past year, resulting in reduced heating value and impurities, occasioned largely by the difficulty of operating the newly constructed generating plant in that city. The evidence herein shows that these shortcomings have been, to a large degree, overcome and that service conditions will hereafter conform to the requirements of the Commission's order.

The heating value standard of gas prescribed by the Commission for the various gas systems operated by applicant has been fixed at an average of 570 B. T. U. per cubic foot except in the city and county of San Francisco and in the Redwood district supplied from the San Francisco plant, where, by reason of rates having been previously established on the basis of 550 B. T. U., the exception has been authorized. In all other localities the 570 B. T. U. standard has been required.

Applicant's gas engineers and superintendents have presented evidence which is rather conclusive in its showing that in its larger plants substantial savings and economies in its operations will result in the manufacture of 550 B. T. U. gas as contrasted with 570 B. T. U. gas. This is particularly true in such plants as have in operation the newer and larger types of gas generators, which have been designed for and most successfully operate at the lower heating value standard.

Under the direction of the Commission an exhaustive series of tests is now being conducted by a committee of the gas engineers of the state with a view to determining the most efficient methods of oil-gas manufacture and the proper quality of gas to be supplied. It is expected that a considerable period of time will have elapsed before this series of tests is completed. Pending their outcome, and in view of the testimony of applicant's engineers and the unanimous request of counsel representing the municipalities supplied with gas, it appears

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proper at this time to permit a reduction in the heating quality of gas supplied to the East Bay cities. The propriety of this step is confirmed by the analyses of the relative amounts of oil used and the other costs of gas manufacture by the Commission's engineers, and further points to the fact that in all probability a saving will result to both the consumers and the utility if the standard of gas manufactured at the Oakland plant of applicant and supplied to the so-called East Bay communities, extending from Richmond on the north to Hayward on the south, including all of the municipalities between, be reduced to 550 B. T. U., which is the same standard as now prevails in San Francisco.

While there is an increase in the cost of supplying gas to the East Bay cities by reason of the increases in the cost of oil, labor and material, such increases will be somewhat reduced by supplying gas of lower heating value, which reduction should be enjoyed by consumers.

The order herein will, therefore, authorize the reduction in the heating value of gas supplied from applicant's gas manufacturing plant in Oakland to the East Bay communities. The other generating plants on the system can readily meet the requirements of the Commission's order and the present standard of 570 B. T. U. will be maintained.

In establishing the rates to be charged for gas supplied from the San Jose plant of applicant, consideration has been given to the fact that some slight modification in the heating value will be necessary at times to meet the program of tests which are there being conducted by the Commission's joint gas committee.

Applicant's exhibits show an estimated revenue from its entire gas business under existing rates for the year 1920 of $10,711,738, and operating expenses for its entire gas business, including all of its maintenance and operating expenses, oil, taxes, reserves, etc., of $8,930,176. This figure also includes increases in wages granted, effective April 1, 1920, amounting to $204,114 per annum.

From applicant's figures above, there would appear to be a net income of but $1,781,562 available for return and depreciation. However, an examination of all the evidence presented upon gas operations leads to the conclusion that applicant has underestimated its revenues, and has liberally provided for maintenance and operating expenses. This is particularly true for such costs for the current year as applicant has estimated upon a percentage increase over the corresponding items for the year 1919. Applicant's operating expenses for 1919, as they affect these proceedings, were abnormally high in many respects, due, among other things, to the making up of deferred maintenance and additional operating expenses and maintenance required by the exten-

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sive construction work under way in the reconstruction and rehabilitation of several of its plants. From a consideration of past operating expenses and present conditions, I am of the opinion that the amounts set forth in the following table represent reasonable and proper operating expenses and revenues upon which rates should at this time be based:

PACIFIC GAS AND ELECTRIC COMPANY.

Gas Department.

Revenue and Expenses Under Existing Rates.

Gross revenue	$11,181,771 00
Operating expenses:	
Maintenance	$598,600 00
Oil	4,233,106 00
Other operating expenses	2,417,100 00
Electric energy	220,000 00
General administration expense	315,000 00
Taxes	700,000 00
Fire and casualty insurance	44,085 00
Uncollectible bills	51,525 00
Total operating expense	$8,579,416 00
Net for depreciation and return	$2,602,355 00

The above table reflects all of the reasonable operating expenses required to adequately serve its gas consumers, provide for a reasonable amount of maintenance, including a part of that heretofore necessarily deferred, inclusive of all oil required for gas manufacture at the present prevailing price to applicant, such taxes as are properly chargeable to operating expenses, and reserves for insurance and uncollectible accounts. These items likewise reflect in full the entire amount of the wage increases granted to employees in its Gas Department effective April 1, 1920.

It will be noted from the above table that the net income from applicant's gas operations, upon the basis of reasonable operating expenses therein set forth, is approximately $636,000 less than the sum of $3,238,586 hereinabove set forth as constituting a reasonable net income for depreciation and return for the present rate fixing period. It is of interest to note in this connection that the nominal increases in gas rates required at this time are actually due to the fact that the increase in applicant's revenues has been larger proportionately than its increase in operating expenses, or its increases in investment during the past three years—in fact, in several of the communities served, the growth of business has been sufficient to offset the increase in operating expenses by reason of the larger quantity of gas over which these expenses are spread.

An investigation of the relative changes in the total cost of gas per thousand cubic feet sold in the various communities supplied, including

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both operating expenses and return upon investment, leads to the conclusion that a continued fair and reasonable return upon applicant's gas properties requires increases in its gas rates of from 5 to 15 cents per thousand cubic feet over and above the present charges, including the 10 per cent surcharge, with the exception, however, of the cities of Sacramento and Vallejo, in which localities the present rates, inclusive of the surcharges, produce sufficient revenue to offset the increased costs that have occurred since these rates and surcharges were established. An increase of from 5 to 10 cents per thousand cubic feet appears necessary in the city and county of San Francisco. An increase of only 5 cents per thousand is required in the East Bay communities by reason of the reduction in heating value. In several of the larger communities, increased costs require the additional 10 cents per thousand to the present rates, while the maximum rate increase herein included is 15 cents per thousand over and above the existing rates and surcharges. Some slight changes have been made in minimum charges to compensate for increased costs of operation affecting them.

Based on the foregoing considerations, the schedules of rates set forth in the order herein have been established. These rates will, on the basis of present costs and conditions, yield a gross revenue of $11,930,000 per annum, and a net income available for depreciation and return of $3,240,584 per annum. This net return is in close agreement with the figure hereinabove set forth as a fair allowance for return and depreciation upon the present capital invested.

In view of the attitude of applicant towards the improvement of gas service in Oroville, I would recommend that the effective date of the increased rates in Oroville be postponed for three months, or until such time as applicant shall have shown a reasonable effort to improve these conditions.

I submit the following form of order:

ORDER.

Pacific Gas and Electric Company having applied for authority to increase its rates and charges for gas, public hearings having been held, the matter submitted and now awaiting decision:

The Railroad Commission of the State of California hereby finds as a fact that the rates and charges for gas set forth in the order hereinafter are just, fair and reasonable rates to be charged for gas in their respective localities, and that the rates and charges now in effect for gas, in so far as they differ from the rates herein established, are not just, fair and reasonable rates.

Basing its order on the foregoing findings of fact, and on the other findings of fact contained in the opinion which precedes this order;

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It is hereby ordered, that, effective for all regular meter readings taken on and after the twenty-fourth day of July, Pacific Gas and Electric Company be and it is hereby authorized to charge and collect for gas in accordance with the following schedules, excepting, however, the rate herein established for gas supplied in the city of Oroville and suburbs, which shall not become effective until supplemental order of this Commission shall have been made upon a showing of improvement in service conditions in this territory.

Schedule G-1.

Character of service.

Gas of an average heating value of 550 B.T.U. per cubic foot will be supplied under this schedule for light, heat and power service.

Territory.

This rate applies in the city and county of San Francisco, and to the following localities within the Alameda County District: Alameda, Albany, Berkeley, Emeryville, Oakland, Piedmont and contiguous suburban territory.

Rate.

On the basis of monthly consumption of gas per meter.

$1 05	per 1000 cubic feet for the first	10,000 cubic feet
0 95	per 1000 cubic feet for the next	20,000 cubic feet
0 90	per 1000 cubic feet for the next	40,000 cubic feet
0 85	per 1000 cubic feet for the next	80,000 cubic feet
0 80	per 1000 cubic feet for the next	150,000 cubic feet
0 75	per 1000 cubic feet for all over	300,000 cubic feet

Minimum.

Minimum monthly charge for domestic service for flats and apartments where four (4) or more meters are continuously served in one location and on one service, 60 cents per meter.

Minimum monthly charge for domestic and commercial service other than the above, 75 cents per meter.

Schedule G-2.

Character of service.

On the basis of monthly consumption of gas as measured at the point of delivery to the city of Palo Alto at or near the compression tanks of the city.

Territory.

This rate applies only to gas sold at wholesale to the city of Palo Alto.

Rate.

Sixty-two cents per 1000 cubic feet for the first 5,000,000 cubic feet per month; 40 cents per 1000 cubic feet for all over 5,000,000 cubic feet per month; plus 2 cents per 1000 cubic feet for all gas consumed for each 10 cents per barrel that the average price of oil at the Potrero plant of the company exceeds $1 per barrel.

Terms and conditions.

A cubic foot of gas is hereby defined as that volume of gas occupying the space of one cubic foot at a temperature of sixty (60) degrees Fahrenheit, and at a pressure of four inches of water above atmospheric pressure, the atmospheric pressure being taken as the pressure equivalent to a thirty-inch column of mercury.

Schedule G-3.

Character of service.

Gas of an average heating value of 570 B. T. U. per cubic foot will be supplied under this schedule for light, heat and power service.

Territory.

This rate applies to the following localities: City of Sacramento and suburbs, city of Fresno and suburbs, city of San Jose and suburbs.

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Rate.

On the basis of monthly consumption per meter:

$0 75 for the first 500 cubic feet or less
1 30 per 1000 cubic feet for the next 2,500 cubic feet
1 10 per 1000 cubic feet for the next 7,000 cubic feet
0 95 per 1000 cubic feet for the next 10,000 cubic feet
0 80 per 1000 cubic feet for all over 20,000 cubic feet

Schedule G-4.

Character of service.

Gas will be supplied under this schedule for light, heat and power service.

Territory.

This rate applies to the following localities:

(1) Within the Alameda County district, Hayward, San Leandro, Richmond and contiguous suburban territory.

(2) Within the Redwood district, Daly City, Burlingame, Hillsborough, Redwood City, San Mateo,, South San Francisco and contiguous suburban territory.

This rate does not apply to gas served in the city of Palo Alto for redistribution.

Rate.

On the basis of monthly consumption per meter:

$0 75 for the first 500 cubic feet or less
1 35 per 1000 cubic foot for the next 4,500 cubic feet
1 15 per 1000 cubic feet for the next 5,000 cubic feet
1 05 per 1000 cubic feet for the next 10,000 cubic feet
0 95 per 1000 cubic feet for the next 20,000 cubic feet
0 80 per 1000 cubic feet for all over 40,000 cubic feet

Schedule G-5.

Character of service.

Gas of an average heating value of 570 B. T. U. per cubic foot will be supplied under this schedule for light, heat and power service.

Territory.

This rate applies to the following localities: City of Vallejo and suburbs.

Rate.

On the basis of monthly consumption per meter:

$0 75 for the first 400 cubic feet or less
1 50 per 1000 cubic feet for the next 4,600 cubic feet
1 10 per 1000 cubic feet for the next 5,000 cubic feet
0 90 per 1000 cubic feet for the next 10,000 cubic feet
0 80 per 1000 cubic feet for all over 20,000 cubic feet

Schedule G-6.

Character of service.

Gas of an average heating value of 570 B. T. U. per cubic foot will be supplied under this schedule for light, heat and power service.

Territory.

This rate applies to the following localities within Marin district: San Rafael, San Anselmo, Fairfax, Ross, Kentfield, Larkspur, San Quentin and contiguous suburban territory.

Rate.

On the basis of monthly consumption per meter:

$0 75 for the first 400 cubic feet or less
1 75 per 1000 cubic feet for the next 4,600 cubic feet
1 25 per 1000 cubic feet for the next 5,000 cubic feet
1 00 per 1000 cubic feet for the next 10,000 cubic feet
0 85 per 1000 cubic feet for all over 20,000 cubic feet

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Schedule G-7.

Character of service.

Gas of an average heating value of 570 B. T. U. per cubic foot will be supplied under this schedule for light, heat and power service.

Territory.

This rate applies in the following localities:

Chico district—City of Chico and suburbs.

Marysville district—City of Colusa and suburbs, Marysville, Yuba City and suburbs, Oroville, Orovista and suburbs.

Napa district—City of Napa and suburbs.

Nevada district—Grass Valley, Nevada City and suburbs..

Northern district—Redding and suburbs, Red Bluff and suburbs, Willows and suburbs.

Petaluma district—City of Petaluma and suburbs.

San Jose district—City of Los Gatos and suburbs.

Santa Rosa district—Santa Rosa, Sebastopol and contiguous suburban territory.

Yolo district—City of Woodland and suburbs.

Rate.

On the basis of monthly consumption per meter:

$1 00 for the first 500 cubic feet or less.

1 85 per 1000 cubic feet for the next 4,500 cubic feet

1 45 per 1000 cubic feet for the next 5,000 cubic feet

1 00 per 1000 cubic feet for all over 10,000 cubic feet

Provided, Pacific Gas and Electric Company shall file with the Railroad Commission within ten days of the date of this order the schedules of gas rates herein established.

It is hereby further ordered, that General Order No. 58 of this Commission, in so far as it shall apply to the standard of heating value of gas supplied by Pacific Gas and Electric Company to consumers supplied from its manufacturing plant located in Oakland, is amended to authorize the supply of gas of an average heating value of 550 B. T. U. per cubic foot, as set forth in said general order; and

It is hereby further ordered, that the present rates and charges for gas in effect in the city of Oroville and suburbs shall continue in effect until further order of this Commission, as hereinabove provided.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this fourteenth day of July, 1920.

Decision No. 7878.

IN THE MATTER OF THE APPLICATION OF RUSSIAN RIVER WATER COMPANY FOR AN ORDER ADJUSTING AND FIXING RATES TO CONSUMERS AT MONTE RIO, MESA GRANDE, SHERIDAN AND ADJACENT TERRITORY.

Application No. 5470.

Decided July 14, 1920.

A. F. Lemberger, for Applicant.

Cecil Raymond, for Water Consumers' Association.

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BY THE COMMISSION.

OPINION.

The applicant in the above entitled proceeding asks for an order fixing rates to be charged for water delivered to consumers in Monte Rio, Mesa Grande, Sheridan and adjacent territory, summer resorts located along the Russian River in Sonoma County.

It is alleged in effect that the rates heretofore established by this Commission are noncompensatory and do not produce sufficient revenue to cover maintenance and operation expense, depreciation and a reasonable return upon the investment.

Applicant therefore asks the Commission to fix a schedule of equitable rates to be charged for water delivered to its consumers.

A public hearing was held at which all interested parties were given an opportunity to be heard.

Testimony shows that the water systems of Mount Jackson Water and Power Company, Russian River Heights Water Company and Guernewood Park Development Company, public utilities supplying other summer resorts in the vicinity, including the town of Guerneville, are owned by the same interests controlling the Russian River Water Company.

At the present time the four separate utilities are managed and operated jointly, and it is the intention, in the near future, to consolidate them further by means of certain pipe connections into two operating districts.

The estimated original cost of the property as determined by the Commission's hydraulic engineers was $17,571, and the depreciation annuity, calculated by the sinking fund method, $302.

A study of the testimony indicates that a reasonable allowance for maintenance and operation expense will be $2,900 per year, and that the total annual charges based upon the foregoing figures amount to $4,608.

The revenues derived from the sale of water in 1918 amounted to $2,540 and in 1919 to $2,561, indicating that the utility is entitled to an increase in rates.

The present rates charged by applicant are as follows:

1. A minimum annual charge for both metered and flat rate service of $5 per service, payable in advance.

2. In addition to the minimum annual charge of $5 per service, payment for each month or fraction thereof during which water is used will be as follows:

(*a*) *Metered service.*

For the first 500 cubic feet, 15 cents per 100 cubic feet
For the next 1500 cubic feet 12 cents per 100 cubic feet
For all over 2000 cubic feet 7½ cents per 100 cubic feet
Minimum monthly charge for service, 75 cents.

(*b*) *Flat rate service.*

For each month or fraction thereof, per service 75 cents

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The records for 1919 show a total of 249 flat rate consumers and 39 consumers served through meters.

Applicant serves a district which may be classed as a summer colony in that a large majority of the consumers occupy their residences and use water during only a few of the summer months. It is essential that a form of rate be established wherein those consumers using water only a small portion of the year, but having it available at all times, shall pay their just proportion of the annual charges and not place an undue burden upon the few permanent residents.

The rate schedule set out in the accompanying order is designed to distribute the charges equitably among permanent and summer residents and to do substantial justice to both the consumers and the utility.

ORDER.

Russian River Water Company having made application in the above entitled proceeding, a public hearing having been held thereon, and the Commission being fully advised in the matter:

It is hereby found as a fact that the rates now charged by Russian River Water Company for water delivered to its consumers are unjust and unreasonable in so far as they differ from the rates herein established, and that the rates herein established are just and reasonable rates to be charged for such service; and basing its order upon the foregoing finding of fact and upon the statements of fact contained in the preceding opinion;

It is hereby ordered, that Russian River Water Company be and it is hereby authorized and directed to file with the Railroad Commission within twenty (20) days from the date of this order, and thereafter charge, the following schedule of rates for all water delivered subsequent to June 30, 1920:

Flat rates.

Minimum annual charge, payable in advance, which entitles consumer to a maximum of 400 cubic feet of water per month for four months, $14.

For each additional month, which entitles the consumer to 400 cubic feet of water, $1.

Flat rates for the entire year, payable in advance, which entitles the consumer to 400 cubic feet of water monthly, $18.

Meter rates.

Minimum annual charge, payable in advance, which entitles consumer to 400 cubic feet of water per month for four months, $14.

All use during other months, 400 cubic feet or less, $1.

For use over 400 cubic feet:

Next 3600 cubic feet, 20 cents per 100 cubic feet.

Over 4000 cubic feet, 15 cents per 100 cubic feet.

And it is hereby further ordered, that Russian River Water Company file with the Railroad Commission within thirty (30) days from the date of this order amended rules and regulations to provide that the present method of computing rates for the fiscal year ending April

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30 be changed to the calendar year for the future, also that the applicant shall bill consumers from May 1, 1920, to June 30, 1920, at the rates heretofore in effect, and from July 1 to December 31, 1920, at the rates herein established.

Dated at San Francisco, California, this fourteenth day of July, 1920.

DECISION No. 7879.

IN THE MATTER OF THE APPLICATION OF CALIFORNIA-OREGON POWER COMPANY TO DISCONTINUE PUBLIC SERVICE IN A PORTION OF ITS TERRITORY IN SISKIYOU COUNTY, STATE OF CALIFORNIA.

Application No. 5566.

Decided July 14, 1920.

BY THE COMMISSION.

OPINION.

California-Oregon Power Company applies herein for authority to discontinue service to two consumers, Mrs. A. J. Hight and Mrs. H. H. Kingery, and to dismantle certain facilities known as its Golden Eagle substation and distribution line located in the northwest quarter of section 11, township 44 north, range 9 west, Mount Diablo base and meridian, in Siskiyou County, California.

It appears that these facilities were originally installed for the purpose of supplying energy for extensive mining operations, which ceased in the year 1913, and there is but little probability that such operations will ever again be resumed. The facilities are now used only for supplying these two consumers with lights. It further appears that the revenue derived from the lighting service rendered to these two consumers is insufficient to warrant the continued maintenance and operation of the Golden Eagle substation and distribution line. Applicant has expressed a willingness to reimburse these two consumers for their investment in house wiring in the event of discontinuance of their service.

ORDER.

California-Oregon Power Company having applied for authority to discontinue electric service in a portion of its territory in Siskiyou County, the Railroad Commission having investigated the proposed discontinuance of service and being of the opinion that such discontinuance is warranted, and being further of the opinion that a hearing is not necessary in this proceeding;

It is hereby ordered, that California-Oregon Power Company be and it is hereby authorized to discontinue electric service to Mrs. A. J. Hight and Mrs. H. H. Kingery in the vicinity of the Golden Eagle and New

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York mines in Siskiyou County, and to dismantle its Golden Eagle substation and Golden Eagle distribution line.

Provided, however, California-Oregon Power Company shall pay to Mrs. A. J. Hight and Mrs. H. H. Kingery the sum of $25 each, which amounts are designed to cover the investment made by these parties in house wiring and to afford them means of providing themselves with other lighting facilities.

It is hereby further ordered, that if at any time in the future California-Oregon Power Company shall extend its facilities within a reasonable distance of the premises of the two parties hereinabove mentioned, electric service shall again be given to these parties if it is then desired.

Dated at San Francisco, California, this fourteenth day of July, 1920.

DECISION NO. 7880.

IN THE MATTER OF THE APPLICATION OF NORTH MONETA GARDEN LANDS WATER COMPANY, A CORPORATION, FOR AN ORDER AUTHORIZING AN INCREASE IN RATES FOR SALES OF WATER.

Application No. 5426.

Decided July 15, 1920.

WATER RATES—SERVICE—IMPROVEMENTS REQUIRED.—An increased schedule of rates for water service will not be made effective when it is shown that considerable water is wasted through leaky condition of pipes resulting in poor and inadequate service to consumers. Increases conditioned upon applicant taking immediate steps to install certain specified new distributing mains and repair existing breaks and leaks in its distributing system.

H. C. Leecy, for Applicant.

A. O. Clement, in propria persona.

BRUNDIGE, *Commissioner.*

OPINION.

Applicant in the above entitled proceeding alleges in effect that it is a corporation engaged in supplying water to about 67 residents in North Moneta Garden Lands, a subdivision in Los Angeles County, and that the present rates do not produce sufficient revenue to cover maintenance and operating expense, depreciation and a fair return upon the investment. The Commission is asked to fix just and equitable rates.

A public hearing was held in Los Angeles at which all interested parties were given an opportunity to appear and be heard.

Applicant is the owner of a water system in North Moneta Garden Tract, a subdivision near Inglewood and adjoining Hawthorne. The system was installed primarily to aid in the sale of lands owned by its incorporators. The lands were subdivided and put on the market

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some ten years ago and embraced 480 acres divided into 455 lots of about one acre each.

The water system consists of a well equipped with a Layne-Bowler pump discharging into a 50,000-gallon tank. The water is then conveyed through 12 and 14-inch riveted steel pipes and finally distributed through 4-inch laterals. The laterals were originally connected by a 4-inch main running east and west on Rosenerans avenue, but a few years ago the connecting main was removed or disconnected, thus greatly reducing the adequacy of service, especially on the long laterals between Williams and Centenalia streets.

The evidence shows that applicant has not been diligent in repairing its system. This failure to repair pipes has permitted large quantities of water to waste, and has decreased the adequacy of the service. I am of the opinion that such conditions should not be permitted to exist, and shall recommend that the repair of these leaks, the rendition of good service and the restoration of the main on Rosenerans avenue be made a condition of the establishment of an increased rate schedule.

The present rates are as follows:

Domestic rates.

Flat rate of $1.50 per month for water delivered through a ¾-inch pipe attached to a 4-inch main.

Irrigation rates.

1. Flat rate of 50 cents per hour for water delivered through a 2-inch hydrant attached to a 4-inch main.

2. Metered rate of 6 cents per 100 cubic feet when the consumer furnishes the meter, or of 7½ cents per 100 cubic feet when the meter is furnished by the company.

No record is available to show the amount of water pumped.

A detailed inventory and appraisal of the property was made by the Commission's hydraulic engineers, as well as an estimate of maintenance and operation expense and depreciation annuity.

These are as follows:

Estimated original cost of system	$25,067 00
Depreciation annuity calculated upon the 6 per cent sinking fund method	644 08
Estimated maintenance and operation expense	2,059 00

Total annual charges based upon the foregoing figures amount to $4,708.

Operating revenues as shown by the utility's annual reports were $1,393.68 for 1918 and $1,625.26 for 1919.

There is very little indication that applicant can expect any material increase in the number of consumers for several years to come; and, as only 67 out of a total of 455 lots have been built upon, it is apparent that the present consumers can not reasonably be called upon to pay the total annual charges for a system capable of serving several times as many consumers. However, the rates fixed in the accompanying order will do subtantial justice to both the consumers and the utility.

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I submit the following form of order:

ORDER.

North Moneta Garden Lands Water Company having made application in the above entitled proceeding, a public hearing having been held thereon, and the Commission being fully informed in the matter:

It is hereby found as a fact that the rates now charged by North Moneta Garden Lands Water Company for water supplied to its consumers, in so far as they differ from the rates herein established, are unjust and unreasonable, and that the rates herein established are just and reasonable rates to be charged for such service; and basing its order upon the foregoing finding of fact and upon the statements of fact contained in the opinion preceding this order;

It is hereby ordered, that North Moneta Garden Lands Water Company be and it is hereby authorized and directed to file with the Railroad Commission within twenty (20) days from the date of this order, and thereafter charge, the following rates for water:

Domestic rates.

1. For a ¾-inch service attached to a 4-inch main, a monthly flat rate for residences, boarding houses or tenements of 5 rooms or less, of	$1 50
For each additional room, per month	0 25
Additional for private barn with not more than two horses or cows or one automobile, per month	0 50
For each additional horse or cow, per month	0 20
For each additional automobile, per month	0 50
2. Sprinkling or irrigation of lawns, shrubbery, trees, gardens, etc., per square yard, per month	½ cent

Irrigation rates.

A flat rate per hour for water delivered through a 2-inch hydrant attached to a 4-inch main, of	$0 75

All other rates to remain the same as heretofore in effect.

It is hereby further ordered, that North Moneta Garden Lands Water Company be and it is hereby authorized to charge the above schedule of rates upon the following conditions and not otherwise:

1. That it proceed diligently to install and complete within sixty (60) days of the date hereof a four-inch (4″) pipe east and west along Rosencrans avenue between Williams and Centenalia streets.

2. That it proceed immediately to repair breaks and leaks in its pipe system and complete same within thirty (30) days of the date hereof.

3. That it file written report with this Commission within ten (10) days from the date hereof, setting forth a statement of work already performed hereunder and plans for the completion of the work, and also file written report each thirty days thereafter until its completion.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this fifteenth day of July, 1920.

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DECISION No. 7881.

IN THE MATTER OF THE APPLICATION OF PACIFIC GAS AND ELECTRIC COMPANY, A CORPORATION, FOR AN ORDER OF THE RAILROAD COMMISSION FIXING AND ESTABLISHING THE TERMS AND CONDITIONS IN ACCORDANCE WITH WHICH APPLICANT SHALL EXTEND ITS EXISTING WATER DISTRIBUTION SYSTEM IN THE CITY OF STOCKTON TO THE MANUFACTURING PLANT OF THE NATIONAL PAPER PRODUCTS COMPANY.

Application No. 5069.

THE CITY OF STOCKTON, A MUNICIPAL CORPORATION,
vs.
PACIFIC GAS AND ELECTRIC COMPANY.

Case No. 1414.

Decided July 21, 1920.

SERVICE EXTENSIONS—DUTY OF UTILITIES TO MAKE.—It is held that when a public utility has dedicated its service to a city it is its duty to make such necessary extensions as the logical growth of the municipality may require, provided, however, as in the present case where one large industry will receive the main benefit from the extension of mains it should be required to bear a larger proportion of the cost of service than the regular rate provides therefor.

Applicant directed to extend its water mains to the Yosemite subdivision in the city of Stockton, provided, the National Paper Products Company shall pay a monthly rate of $60 in addition to the regular rate for the service rendered until such time as the gross annual revenue from such extension shall equal 20 per cent of the cost thereof.

R. W. Duval, for Pacific Gas and Electric Company.
Loutitt and Stewart, by *Gordan A. Stewart*, for National Paper Products Company.
M. P. Shaughnessy, for city of Stockton.
Gerald B. Wallace and *A. R. Bogue*, for Consumers' League of the city of Stockton.

MARTIN, *Commissioner.*

OPINION.

Pacific Gas and Electric Company, a public utility corporation, engaged in the business of supplying water to the city of Stockton for domestic, industrial and municipal purposes, asks this Commission to fix equitable terms and conditions whereby it shall make certain extensions of its existing water mains as requested by the National Paper Products Company.

The application alleges in effect that said National Paper Products Company secures water for use in its plant by pumping from its private wells on its own property, that the supply of water from these wells is insufficient and inadequate for its purposes, and that said company has not been a water consumer of applicant since the establishment of the plant in Stockton in 1918. And further, upon an investigation and report by applicant's engineers as to the most efficient and economical manner of extending its mains to said manufacturing plant, including the estimated cost and the probable revenue that would be obtained for the service, the National Paper Products Company was

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informed that applicant would not at its sole cost and expense make the extension requested.

Complainant, city of Stockton, in Case No. 1414, alleges in effect that the Yosemite subdivision within the city limits is a rapidly growing industrial district with no water mains installed for the distribution of water for domestic or other purposes to dwellings and industrial plants; that within said subdivision is located the plant of the National Paper Products Company and adjoining is the plant of the Cedar Products Company; that at the present time about 400 persons are employed in said plants many of whom would no doubt prefer to reside in the vicinity of their employment and with the introduction of water service to said subdivision many new dwellings would be constructed and occupied by employees of the nearby industries.

It is further alleged that the municipality through its fire department is obligated to furnish fire protection within the city limits and can not give this protection to said dwellings and industries unless the water mains of defendant corporation are extended to serve this subdivision. Wherefore, complainant asks for an order of this Commission requiring the extension of defendant's water mains to provide service.

A public hearing was held at Stockton and by consent of all parties the above proceedings were consolidated for hearing and decision.

The evidence shows that Yosemite subdivision was subdivided and put on the market four years ago and at present all lots have been sold, mainly to individuals for home sites. When the plant of the National Paper Products Company was erected in 1918 there were only two dwellings in said subdivision; now there are forty-eight, their only source of water supply being from private wells.

At the hearing in this proceeding, the city engineer of the city of Stockton presented plans for a proposed system of sewers for Yosemite subdivision. These plans had been theretofore submitted to the city council for its approval. It was contended that it would be futile to install a sewerage system and difficult to provide adequate sanitary facilities unless a satisfactory water supply could be obtained.

The National Paper Products Company has an investment of approximately $1,250,000 in its plant and an extension now under construction will double this amount. Further, land has been purchased adjoining said subdivision by the Globe Milling Company and by the Price Pump Works upon which it appears plants will be erected aggregating in cost over $3,000,000. Applicant submitted at the hearing a map delineating the proposed extensions of its existing mains; also an estimated cost by its engineers as of May, 1920, of $11,572, for the extension to the plant of National Paper Products Company and of $9,270 additional for the distribution system proposed to serve the fourteen city blocks of said subdivision.

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It appears from the evidence that the possible present use of water and therefore revenue at the rates in effect will be small considering the investment in the proposed extensions, but that the introduction of adequate water service will promote the building of additional industrial plants and dwellings in this area with a resulting increase in water use and revenue.

The Pacific Gas and Electric Company has dedicated its service to the city of Stockton, and it is reasonable that it should provide service for the growth of the city. The development for which the extension herein is desired is a part of the logical growth of the city, and will not only benefit the city itself but will also benefit the utilities serving within its limits. An obligation rests upon applicant herein to deliver water as a commodity to all within the class that requires such service and to make the necessary extensions. It is obvious that a utility serving a territory such as this must in reason make extensions to provide for the development of its territory, and that therefore the Pacific Gas and Electric Company should make at its own expense the necessary extensions in order to serve the socalled Yosemite subdivision and the plant of the National Paper Products Company. In view of the fact that there will be only a few consumers on this extension until further development occurs, and a large part of the service rendered will be to the National Paper Products Company, that company is receiving a service greater in value than the amount which it would be required to pay under the rate schedule now in effect for such service. The utility should therefore receive a special rate which should continue in effect until such time as the gross annual revenue for water used from the extensions amount to at least 20 per cent of the capital invested in said extensions.

ORDER.

The Pacific Gas and Electric Company having applied to this Commission for an order establishing the terms and conditions whereby it shall make the certain extension of its existing water mains necessary to render service to the National Paper Products Company, and the city of Stockton having filed a complaint and requested that this Commission make an order requiring Pacific Gas and Electric Company to make the necessary pipe main extensions to render water service to Yosemite subdivision, and a public hearing having been held, and the Commission being fully apprised in the premises;

It is hereby ordered, that the Pacific Gas and Electric Company shall, at its own expense, install a pipe extension of its existing eight (8) inch water main to the plant of the National Paper Products Company and also a distribution system of pipe mains in what is known as the Yosemite subdivision so as to provide adequate water service for

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this industrial and residential district, upon the condition that the National Paper Products Company enter into an agreement with the Pacific Gas and Electric Company to pay to the latter the special rates established herein, until such time as the gross annual revenue from said extensions equals 20 per cent of the capital invested in said extensions.

It is hereby further ordered, that the rate for the special service provided for the National Paper Products Company shall be sixty (60) dollars monthly, in addition to the legal rates in effect for the service rendered, to continue in effect until such time as the gross annual revenue from all other uses of water from above ordered extensions at regular rates shall total in amount twenty (20) per cent of the actual capital investment in the said extensions ordered.

It is hereby further ordered, that all use of water from said extensions by National Paper Products Company plant and by residents of Yosemite subdivision shall be charged for at the regular rates in effect.

It is hereby further ordered, that the above ordered pipe extensions shall be installed within ninety (90) days from the date of this order and that within ten (10) days after completion of the work the Pacific Gas and Electric Company shall file with the Commission a statement in detail showing the improvements installed and the cost thereof.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-first day of July, 1920.

DECISION NO. 7882.

IN THE MATTER OF THE APPLICATION OF THE OJAI POWER COMPANY, A CORPORATION, FOR AN ORDER ESTABLISHING JUST AND REASONABLE RATES FOR THE SALE OF ELECTRICITY.

Application No. 5723.

Decided July 22, 1920.

I. C. Drapeau, for Applicant.

BRUNDIGE, *Commissioner*.

OPINION.

Ojai Power Company applies herein for authority to increase its rates and charges for electricity. A hearing was held at Ventura on June 24, and the matter thereupon submitted and is now ready for decision.

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Applicant is engaged in part in the distribution of electricity in the Ojai Valley in Ventura County, California, for lighting and power service. The major portion of its business, however, is in the supply of electricity for pumping purposes. Applicant formerly owned and operated a gas engine generating plant which, however, has been abandoned, and for the last two years has obtained its supply of electricity from the Southern California Edison Company. The extent of applicant's business, its revenues and expenses for the past two years are shown in the table below.

In purchasing its power from the Southern California Edison Company applicant has been subject to the increases in the rate charged it by Edison Company in accordance with the original surcharge of 1.2 mills per kilowatt hour established in Decision No. 6000 in Application No. 3955 of the Southern California Edison Company, effective January 2, 1919, and the recent 27 per cent surcharge authorized Southern California Edison Company in accordance with Decision No. 7424 in Application No. 5394, effective April 20, 1920. In addition to these increases in the wholesale cost of its electricity, applicant's other operating expenses have in the last two years reached a higher level.

The rates now charged by applicant for electricity for lighting and power service, although filed and accepted by the Commission, have never been formally investigated. It has therefore been necessary to make a valuation of the properties of applicant used in its electric business and to ascertain reasonable operating expenses. The appraisal made by the Commission's engineering department shows that a reasonable valuation of applicant's electric properties as of June 15, 1920, is the sum of $39,063, which figure is based upon the estimated historical reproduction cost of the properties now used and useful in its electric business. If to this be added an allowance for material and supplies and working cash capital, and the actual cost of franchises and organization, this figure is increased to $43,500, which from the evidence herein is a reasonable rate base.

The actual revenue and operating expenses for the year 1919 indicate that after a deduction of proper depreciation allowance, a net return of slightly over 5 per cent was earned, which cannot be considered as excessive for a property of the size and character of applicant's. The revenue and expenses of applicant's business during the past two

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years and under present conditions, including the surcharge of 27 per cent upon its purchased power, are as follows:

Ojai Power Company—Electric Department.

	1918 actual	1919 actual	1920 estimate. Present rates
Revenue:			
Light	$4,140 85	$4,564 86	$5,249 59
Power	5,638 56	11,768 81	14,122 73
Totals	$9,779 41	$16,333 67	$19,372 32
Expenses:			
Production	$5,935 86	$9,626 47	$13,500 00
Distribution	752 64	1,226 17	1,400 00
Miscellaneous general expense	628 20	704 97	850 00
Miscellaneous general repairs	206 34	298 02	1,000 00
Taxes	571 28	638 49	950 00
Totals	$8,094 32	$12,494 12	$17,700 00
Balance for depreciation and return	$1,685 09	$3,838 55	$1,672 32
Depreciation		$1,600 00	$1,600 00
Balance for return		2,238 55	72 32
Rate base		42,000 00	43,500 00
Return		5.34%	

It will appear from the foregoing that the increase in operating expenses, due largely to the addition of the Edison Company's surcharge, has practically wiped out applicant's net income, and as its income under past operating conditions has not been in any sense excessive it appears relief in the form of higher rates is necessary if applicant is to earn a fair return upon the reasonable valuation of its properties after paying the current surcharge. In increasing the rates now charged by applicant to its consumers it appears that the present rates for lighting service are sufficiently high in themselves to require no increase at this time, and as the major portion of applicant's service is to its power consumers its power rates should be adjusted by a surcharge to restore its earnings.

The period during which the present 27 per cent surcharge of the Edison Company is effective extends from April 20, 1920, to January 20, 1921, and in this period of nine months the additional cost to applicant for purchased power will aggregate the sum of $2,475. As the Edison Company's surcharge is not permanent it is not desirable for a purchasing company such as applicant to reflect the same except by a similar temporary increase. Applicant should be permitted to charge in addition to its present power rates a surcharge of 20 per cent thereon for a period of twelve months after the effective date of

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the order herein. A surcharge of 20 per cent on power bills for twelve months will increase applicant's revenues by $2,823, and will enable it to earn between 7 per cent and 8 per cent upon the rate base hereinabove set forth. This return is based upon the deduction from earnings of $1,600 per annum to be set aside as a reserve for the replacement of accruing depreciation, and it is expected that applicant will make proper use of these moneys. I submit the following form of order:

ORDER.

Ojai Power Company having applied to the Railroad Commission of the State of California for authority to increase its rates and charges for electricity, a hearing having been held and the matter submitted and now ready for decision:

The Railroad Commission of the State of California hereby finds as a fact that the rates and charges for electricity of Ojai Power Company are not just, fair and reasonable rates, inasmuch as they do not yield applicant a fair return upon its properties and business and in so far as they differ from the rates herein established.

Based on the foregoing findings of fact and the other findings of fact in the opinion preceding this order;

It is hereby ordered, that the Ojai Power Company be and it is hereby authorized to charge and collect for electricity supplied for all purposes other than lighting, a surcharge of 20 per cent in addition to its present rates and charges for such service, which surcharge shall be effective for all regular meter readings taken on and after the twenty-fifth day of July, 1920, and which shall continue in effect for a period of twelve months thereafter unless otherwise ordered by this Commission.

Provided, Ojai Power Company shall, within ten days of the date of this order, file with the Railroad Commission of the State of California such amendments to its schedules of rates now on file and shall provide for the surcharge herein established.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-second day of July, 1920.

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DECISION No. 7884.

IN THE MATTER OF THE APPLICATION OF SUMMIT LAKE LUMBER COMPANY FOR AUTHORITY TO INCREASE RATES FOR STORING AND HANDLING GRAIN AND WOOL AT WAREHOUSES LOCATED IN FRESNO COUNTY, CALIFORNIA.

Application No. 5732.

Decided July 22, 1920.

Stanley Pedder, for Applicant.

BY THE COMMISSION.

OPINION.

Applicant is a corporation engaged primarily in the manufacture and sale of lumber at various points in Fresno County. It also operates public warehouses at Burrel, Helm, Lanare, Riverdale and Tranquillity. Rates now in effect for warehouse service, in so far as they are affected by this application, together with rates proposed, are set forth in the following table:

	Present Rates	Proposed Rates
Grain.		
Storage, per season, per ton	$1 25	$1 50
Loading, per ton	35	50
Wool.		
Storage, first month, per bale	10	12½
Each additional month, per bale	05	07½
Loading, per bale	10	12½

The application is based upon alleged increased operating costs, with particular reference to warehouse labor. Where applicant formerly paid $2.50 to $3 per day for ordinary warehouse labor it now pays $4 and $5; for special service it is necessary at times to pay as high as $7.50 per day. For other details as to increased operating costs, reference is made to the record in Application No. 5733 by Chinn Warehouse Company, whose warehouses are in the same general district and under the same management, hearings being held in each case at Hanford on June 29, 1920. The testimony and exhibits show that warehouse labor conditions are practically identical.

The combined capacity of applicant's five warehouses is 6750 tons of grain; the cost to applicant, including the lot on which the warehouse at Riverdale stands, is alleged to have been $14,500, with a present estimated value of $19,000. In addition to the usual complement of trucks and scales, applicant has two pilers which cost $1,500, making a total warehouse investment of $16,000.

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The following operating statement submitted with the application shows the financial result of conducting applicant's warehouses for the year 1919, figures being carefully confined to warehouse business alone:

Storage income	$5,182 98	
Scales income	64 20	
Loading income	763 21	$6,010 39
Wages		5,910 50
Profit		$99 89

No account is taken of taxes, insurance, interest or overhead expense. Applicant's accounts for previous years do not admit of the segregation necessary to show whether this record is exceptional.

Applicant estimates that the additional revenue which would be produced under the rates asked for would not exceed $1,500, practically all of which would be absorbed by the increased wages which must be paid for labor during the current season.

As stated, a hearing on the application was held at Hanford on June 29, 1920, the only testimony offered being that in support of the petition. All patrons were notified by direct mail, in addition to the customary publicity, but there was no protest of any kind. The warehouse service appears to be adequate and satisfactory. The proposed rates are not higher than charges assessed for similar service by other warehousemen in the same locality. We believe the proposed increases have been justified by the showing in this proceeding and should be authorized.

ORDER.

Summit Lake Lumber Company having applied to this Commission for authority to increase warehouse rates, a hearing having been held thereon, the matter having been submitted, and the Commission being fully advised as to the merits of the request:

It is hereby found as a fact that the rates requested by applicant and set forth in Exhibit "E" accompanying the application, are just and reasonable for the service involved; and that the rates now in effect in so far as they conflict with the rates authorized herein are unjust and noncompensatory.

Basing this order upon the above findings of fact, and upon other statements of fact in the opinion preceding this order;

It is hereby ordered, by the Railroad Commission of the State of California that Summit Lake Lumber Company be and the same is hereby authorized to publish, file and place in effect immediately, a schedule of rates for warehouse service conforming to Exhibit "E"

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attached to and made a part of the application, including the following increased rates:

Grain.	
Storage, per season, per ton	$1 50
Loading, per ton	50
Wool.	
Storage, first month, per bale	12½
Each additional month, per bale	05
Loading, per bale	12½

Dated at San Francisco, California, this twenty-second day of July, 1920.

DECISION NO. 7885.

IN THE MATTER OF THE APPLICATION OF CHINN WAREHOUSE COMPANY FOR AUTHORITY TO INCREASE RATES FOR STORING AND HANDLING GRAIN AND WOOL AT LEMOORE AND STRATFORD, CALIFORNIA.

Application No. 5733.

Decided July 22, 1920.

Stanley Pedder, for Applicant.

BY THE COMMISSION.

OPINION.

Applicant operates two public warehouses, one at Lemoore and one at Stratford, Kings County. The principal commodities stored are grain, seeds, hay and wool. Applicant is also engaged in other lines of business, warehousing being more or less incidental to its grain merchandising. It is proposed to increase rates for storing and handling grain and wool as indicated in the following table of comparisons, other rates in effect not being involved in this proceeding:

	Present Rates	Proposed Rates
Grain.		
Storage, per season ending May 31, per ton	$1 25	$1 50
Loading, per ton	35	50
Wool.		
Storage, first month, per bag	10	12½
Each additional month, per bag	05	07½
Loading, per bag	10	12½

The application is based upon the alleged high cost of labor necessary to operate applicant's warehouses, wages having increased since existing rates became effective, from $2.50 and $3 per day to $4 and $5 per day for ordinary warehouse labor. For special service it is necessary at times to pay as high as $7.50 per day.

The capacity of the warehouse at Lemoore is 2500 tons of grain, and that at Stratford 6000 tons, the cost of both properties to applicant, including the land on which located, being $18,500. Equipment

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and machinery to the value of $4,000 have been installed since the warehouses were acquired, making a total investment of $22,500.

Applicant's annual reports on file with the Commission do not show separately operating expenses applying to storage alone, but the average gross income from this source for the years 1915 to 1919 inclusive amounts to $3,255.67. Exhibit "C" filed with the application shows an income of $7,057.94 from storage and loading against a labor expense of $6,980.94, leaving a profit of $77 for the year 1919. On the basis of this showing, applicant estimates that the proposed increases, if allowed, would produce approximately $1,600 additional revenue, which, however, would be reduced to a very small margin by increased operating costs.

A hearing on the application was held at Hanford on June 29, 1920, the only testimony offered being in support of the request.

The evidence showed that the proposed rates, in so far as an expression from patrons had been obtained, would be satisfactory to storers; also that such rates are not in excess of rates generally in effect in the district involved.

It was further shown that the usual publicity was given, patrons being duly notified of the hearing; but no one appeared in protest, or otherwise indicated opposition to the rates proposed.

We are of the opinion that the rates asked for have been justified, and should be granted.

ORDER.

Chinn Warehouse Company having applied to the Commission for authority to increase warehouse rates at Lemoore and Stratford, a hearing having been held thereon, the matter having been submitted and the Commission being of the opinion that the request should be granted:

It is hereby found as a fact that the rates proposed by applicant are just and reasonable, and that the rates now in effect, in so far as they conflict with the rates herein authorized, are unjust and non-compensatory.

Basing this order upon the foregoing finding of fact and upon the further finding of fact contained in the opinion which precedes this order;

It is hereby ordered by the Commission that Chinn Warehouse Company be and the same is hereby authorized to publish, file and place in effect immediately thereafter rates as set forth in Exhibit "A" accompanying the application, such rates, in so far as they are increases, being as follows:

Grain.

Storage, per season, per ton	$1 50
Loading, per ton	50

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Wool.	
Storage, first month, per bag	12½
Each additional month, per bag	07½
Loading, per bag	12½

Dated at San Francisco, California, this twenty-second day of July, 1920.

DECISION No. 7886.

IN THE MATTER OF THE APPLICATION OF W. J. HOLE FOR A CERTIFICATE TO CONSTRUCT A DOMESTIC WATER SYSTEM.

Application No. 5344.

Decided July 22, 1920.

JURISDICTION—WELLS, AMOUNT OF WATER TAKEN FROM—TITLE TO.—In connection with an application for a certificate to construct and operate a water distributing system, this Commission has no jurisdiction to determine the title to water from the wells of applicant nor to determine the rights of applicant as to the amount of water which he is entitled to draw from any specified well upon his property.

Adair and Winder, by *A. H. Winder*, for Applicant.

Sarau and Thompson, by *H. L. Thompson*, for J. F. Megginson et al., Protestants.

BY THE COMMISSION.

OPINION.

In the above application W. J. Hole seeks certificate that public convenience and necessity require him to construct and operate a domestic water system to serve a tract of about 5000 acres in and adjoining the city of Riverside.

A public hearing upon the application was held by Examiner Westover at Riverside, July 8, 1920.

The plans for the system in question contemplate pumping water from an existing well into a storage reservoir and distributing it through ten, eight, six, five, four and two inch mains to various parts of the tract on which about forty families are now living. The system is to be fully financed by private funds of applicant, already available, and is free of debt. About $30,000 has already been spent in construction besides the original cost of the well. The well has been tested and shown to have a capacity of about eighty miner's inches.

During the progress of the hearing Mr. J. F. Megginson appeared with his attorney and objected to such use of the well for irrigation purposes as would reduce the water level in his three wells near by, but offered no objection to the use of fifty miner's inches of water continuous flow from the well of applicant. The protest was made on behalf of protestant and others to whom he had sold lands with certain water rights in the three wells upon his land, his tract having origin-

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ally contained about 240 acres. Since the hearing, formal written protest, signed by ten persons claiming to own lands in said tract of J. F. Megginson, has been received and filed. The written protest objects to the use of water from applicant's well in excess of 40 miner's inches.

It appears from the application and the testimony at the hearing that applicant wishes to reserve the right to use water from his well in question for irrigation purposes after the domestic needs of the system have been supplied, but that he has no present plan or intention of so using the water for irrigation. It also appears that water for irrigation amounting in quantity to about fourteen hundred and fifty miner's inches has been developed from a group of wells upon the tract. These wells and an irrigation system are to be conveyed to a corporation now being organized under the name of Arlington Mutual Water Company, the stock of which is to be distributed to the owners of land in the 5000 acre tract, about 1500 acres of which are now being irrigated from the group of wells referred to.

The question of title to water from applicant's domestic well in excess of forty miner's inches or fifty miner's inches and the right of applicant to take such water from the well in question is not one for determination by the Railroad Commission. It is apparent that the forty miner's inches of water which may be supplied from applicant's well without objection is sufficient for the domestic needs of inhabitants upon the tract at present and in the near future. It also appears that applicant is able to provide such system and water supply and to furnish good service. Pending the time when water in addition to the forty miner's inches may be required the parties will have opportunity to test, in the proper tribunal, their rights to the water in applicant's well in excess of said forty miner's inches.

ORDER.

A public hearing having been held upon the above entitled application, the matter having been submitted and being now ready for decision;

The Railroad Commission of California hereby declares, that present and future public convenience and necessity require and will require that W. J. Hole construct and operate a water system for the purpose of supplying domestic water upon lands in the Rancho La Sierra within and adjoining the city of Riverside, as said lands and system are more fully described on map thereof accompanying the application herein as an exhibit; but such convenience and necessity does not require that said Hole take from the well, to be used in connection with said system, water in excess of forty miner's inches continuous flow.

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The Commission reserves the right to make such other and further orders herein from time to time as to it may seem just after a final determination of the right to take from said well water in excess of forty miner's inches continuous flow.

Dated at San Francisco, California, this twenty-second day of July, 1920.

DECISION NO. 7890.

IN THE MATTER OF THE APPLICATION OF STANISLAUS COUNTY FARMERS UNION, INCORPORATED, FOR AUTHORITY TO INCREASE AND ESTABLISH WAREHOUSE RATES AT MODESTO.

Application No. 5747.

Decided July 22, 1920.

Albert L. Johnson, for Applicant.

BY THE COMMISSION.

OPINION.

Applicant is a corporation engaged in the business of produce dealer and warehouseman operating within the territorial limits of Stanislaus County. The corporation's stockholders consist of growers and producers for whose convenience its facilities were primarily intended. Expediency has necessitated extension of the service to buyers of warehouse receipts from members of the union. The warehouse is now open to the public but outside storage is not solicited.

At Modesto is located the only warehouse unit operated by applicant at the present time, the same being a corrugated iron structure 140 x 150 feet, having a capacity of 4000 tons of grain. The warehouse has an estimated value of $10,500 and for the land on which it stands a rental of $133.80 per year is paid. Following is result of applicant's warehouse operations for the years 1917 and 1918, being the only complete reports available:

	1917	1918
Total receipts	$1,400 00	$2,000 00
Total expense	1,500 00	2,200 00
Net loss	$100 00	$200 00

The application specifically seeks to establish a loading charge of 25 cents per ton to apply on all commodities except hay loaded out from the warehouse, this service having heretofore been included in the storage charges. On hay which is not stored at the present time, and for which applicant has no suitable warehouse, the loading charge proposed is 35 cents per ton. For loading gondola cars the proposed rate would be 10 cents per ton higher than for loading other cars.

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The petition also involves the establishment of new rates covering service for which no schedule has been filed.

The application is based upon the representation that warehouse truckers formerly employed for $2.50 per day now receive $4, and pilers who received $3 per day are now paid $5. Advances in the price of machinery and power are given by applicant as additional reasons underlying its petition.

Applicant estimates that under the proposed increases, together with the new rates to be established, an additional revenue of $1,000 should be realized annually. It is expected, however, that the entire amount will be absorbed by increased operating expenses. It is applicant's purpose to break even as nearly as possible, there being no intention to accumulate a surplus or distribute profits in the way of dividends.

A hearing was held at Modesto on June 30, 1920, at which it was shown that all members of the union and the principal patrons of the warehouse had been individually notified of the hearing, also that the usual press notices had been published at Modesto. No one appeared to oppose the application, all testimony offered being in support of the petition. The evidence showed that the proposed rates are identical with rates in effect at other warehouses located in Modesto, with a single exception which is on a higher basis.

We are of the opinion that the rates proposed have been justified and should be authorized.

ORDER.

Stanislaus County Farmers Union, Inc., a public warehouse utility, having applied to the Railroad Commission for authority to increase and establish rates for warehouse service at Modesto, a hearing having been held thereon, the matter having been submitted, and the Commission being fully advised as to the merits of the petition:

It is hereby found as a fact that the rates and charges proposed by applicant, and set forth in Schedule "C" accompanying the application, are just and reasonable rates for the services involved, and that rates at present in effect, in so far as they conflict therewith, are unjust and noncompensatory.

Basing this order upon the said findings of fact and upon other statements of fact in the preceding opinion;

It is hereby ordered by the Railroad Commission of the State of California that Stanislaus County Farmers Union, Inc., be and the same is hereby authorized to publish, file and place in effect immediately thereafter, a schedule of warehouse rates conforming to so-called

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Schedule "C," accompanying and made a part of the application, such schedule in so far as it involves increases being as follows:

Loading Out.

All commodities except hay:	
When loaded into ordinary box cars	25 cents per ton
When loaded into gondola cars	35 cents per ton
Hay:	
In 3-ton lots, or over	35 cents per ton
In less than 3-ton lots	50 cents per ton

Dated at San Francisco, California, this twenty-second day of July, 1920.

DECISION NO. 7891.

IN THE MATTER OF THE APPLICATION OF HEISKELL AND BULOCK FOR AUTHORITY TO INCREASE RATES FOR STORING AND HANDLING GRAIN AND RICE AT DELANO.

Application No. 5670.

Decided July 22, 1920.

J. D. Heiskell, for Applicants.

BY THE COMMISSION.

OPINION.

Heiskell and Bulock, a copartnership, operating a public warehouse at Delano, request authority to increase rates for storing and handling beans, grain and rice as follows:

	Present Rates	Proposed Rates
Storage, per season and per ton	$1 00	$1 25
Unloading, weighing and delivering, per ton	35	50

A small amount of wool is also handled through the warehouse, but the proposed changes do not apply to this commodity.

The application is based upon alleged increases in the cost of labor and material necessary in the operation of the warehouse. Specifically, it is set forth that the warehouse foreman now receiving $125 per month was paid $100 per month at the time the present rates became effective, and that other warehouse employees who were then paid $3 per day are now receiving $4 and $5 for the same number of hours. During rush periods it is necessary at times to pay as high as $6 per day for competent warehouse labor.

Data submitted with the application shows that the cost of the warehouse structure in 1914, plus improvements made in 1916 and 1918, was $5,928.57, and that the ground upon which the same is located is leased from Southern Pacific Company at an annual rental of

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$160. The tonnage handled and the resulting net revenue for the last four years are shown in the following table:

	Tonnage handled	Net revenue
1916	5,480 tons	$1,511 66
1917	4,953 tons	1,229 24
1918	3,828 tons	894 73
1919	4,526 tons	86 50

These figures show that with a slightly fluctuating annual tonnage there has been a steady decline in net revenue since 1916. In the same operating statement from which the above table is condensed, it is further shown that the cost of storing and handling one ton of grain has increased from 38 cents in 1916 to 94.8 cents in 1919. Applicants' warehouse business is conducted in conjunction with their general business of merchandising, and in some instances items of expense involved in the foregoing results are estimates based upon applicants' judgment as to exact proportion assignable to warehousing. On the other hand, no account is taken of the warehouse manager's time, a considerable portion of which is devoted to the details of storing and handling grain.

It is estimated by applicants that the proposed increases would, on an average year's tonnage, produce approximately $850 additional revenue, which, however, would be almost wholly absorbed by increased operating expenses.

A hearing on the application was held at Delano on June 29, 1920. Oral testimony supported the application in detail, and showed further that the proposed increases had been submitted to patrons representing more than 50 per cent of the tonnage stored during the 1919 season, and that such patrons had expressed approval of the higher rates, which they considered fair and reasonable. The usual notices were published and mailed to applicants' patrons, but no one appeared at the hearing to oppose the request.

We believe that the proposed rates have been justified and should be granted.

ORDER.

Heiskell and Bulock, a warehouse utility, having applied to the Railroad Commission for authority to increase warehouse rates, a hearing having been held thereon, the matter having been submitted, and the Commission being fully advised as to the merits of the petition:

It is hereby found as a fact that the rates proposed by applicants as hereinafter set forth are just and reasonable for the service involved, and that applicants' rates at present in effect, in so far as they conflict therewith, are unjust and noncompensatory.

Basing this order upon the foregoing finding of fact, and upon other facts stated in the preceding opinion;

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It is hereby ordered, by the Railroad Commission of the State of California, that Heiskell and Bulock be and they are hereby authorized to publish and file immediately and thereafter collect rates for warehouse service at Delano as follows:

Beans, grain and rice—Unloading, weighing, and delivering (without storage) 50 cents per ton. Wool—10 cents per bale.

Beans, grain and rice—Storing, weighing and delivering, $1.25 per ton, per season. Wool—10 cents per bale, per month.

Dated at San Francisco, California, this twenty-second day of July, 1920.

DECISION NO. 7892.

IN THE MATTER OF THE APPLICATION OF DUCOR WAREHOUSE COMPANY FOR AUTHORITY TO INCREASE RATES FOR STORING AND HANDLING GRAIN AT DUCOR.

Application No. 5756.

Decided July 22, 1920.

Guy Knupp, for Applicant.

BY THE COMMISSION.

OPINION.

Applicant is a corporation controlled by farmers engaged in growing grain in the vicinity of Ducor. Prior to June, 1914, the warehouse at Ducor was one of several operated by Valley Grain and Warehouse Company in Fresno and Tulare counties along the line of the Southern Pacific Company. Rates filed at that time are still in effect, such rates together with those proposed in the application being as follows:

	Present Rates	Proposed Rates
Storage, per season, per ton	$1 00	$1 50
Unloading, weighing and delivering, per ton	35	50

The property involved, in addition to trucks, scales and other usual warehouse equipment, consists of one corrugated iron building 50 x 200 feet, having a capacity of 200 tons of grain, and costing in 1914 $5,000. Annual rental of $31.70 is paid to Southern Pacific Company for land on which the warehouse is located.

The application is based upon alleged increased operating costs, with particular reference to labor. Owing to the sudden decease of its former manager, applicant has not been able to assemble its records so as to show operating results prior to 1919, except that an income statement for 1918 shows a loss of $231. For the fiscal year ending May 31, 1920, a profit of $39.17 was realized.

A hearing on the application was held at Delano on June 29, 1920. The testimony showed that the increase in cost of warehouse labor

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since 1914 has been 100 per cent or more, the daily wage being in 1914 $3 per day against $6 at the present time, to which should be added the well known inefficiency of labor now obtainable for warehouse work. In the loading of cars under existing maximum tonnage rules, the evidence showed that three men are required, where only one man was formerly needed. In further justification of the proposed season rate of $1.50 per ton as against that of $1.25 requested in application to increase rates for warehouse service at Delano (see Application No. 5670), applicant contends that labor conditions are entirely different and fully justify the higher charge at Ducor. There is no hotel or other boarding place at Ducor and no extra labor obtainable; temporary labor picked up at other places must be taken a distance of six miles for meals. It is applicant's opinion that increased operating cost will absorb whatever additional revenue may result from the proposed rates.

The application contains a list of eleven patrons who store the greater portion of the tonnage involved and who state over their signatures that they consider the rates proposed fair and reasonable. No one appeared at the hearing or otherwise indicated opposition to the rates sought, although the usual publicity was given including personal notice to each patron.

We are of the opinion that the rates proposed have been justified and should be authorized.

ORDER.

Ducor Warehouse Company having applied to the Railroad Commission for authority to increase warehouse rates, a hearing having been held thereon, the matter having been submitted, and the Commission being fully advised as to the merits of the request:

It is hereby found as a fact that the rates proposed by applicant and set out in this order are just and reasonable; and that the rates now in effect, in so far as they conflict with said rates herein authorized, are unjust and noncompensatory.

Basing this order upon the foregoing findings of fact and upon other facts stated in the preceding opinion;

It is hereby ordered, by the Railroad Commission of the State of California, that Ducor Warehouse Company be and the same hereby is authorized to publish, file and thereafter collect the following rates for storing and handling grain at Ducor:

Grain.

Storage, per season ending May 31, per ton	$1 50
Unloading, weighing and delivering (without storage) per ton	50

Dated at San Francisco, California, this twenty-second day of July, 1920.

38-3394

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DECISION NO. 7904.

IN THE MATTER OF THE APPLICATION OF SOUTHERN PACIFIC COMPANY, FOR APPROVAL OF A LEASE OF RAILROAD EQUIPMENT AND AN AGREEMENT PROVIDING FOR THE CONSTRUCTION OF SUCH EQUIPMENT AND THE ISSUANCE OF TRUST CERTIFICATES, SERIES E.

Application No. 5810.

Decided July 22, 1920.

BY THE COMMISSION.

SECOND SUPPLEMENTAL ORDER.

Southern Pacific Company, having filed on July 16, 1920, in the above entitled matter, a conformed copy of the lease and agreement, the execution of which was approved by Decision No. 7741, dated June 18, 1920, as amended, and having asked for an order of the Railroad Commission approving said conformed copy as the final form of the lease and agreement, as actually executed, and it appearing to the Railroad Commission that applicant's request should be granted;

Therefore, the Railroad Commission hereby approves the conformed copy of the lease of railroad equipment from Commercial Trust Company and the agreement with Harry E. Righter and Andrew S. Hannum, filed July 16, 1920, in this proceeding and marked Exhibit "A" as the final form of the lease and agreement, the execution of which was approved by Decision No. 7741 dated June 18, 1920, as amended;

Provided, that the approval herein given is for the purpose of this proceeding only and an approval to the extent that the Railroad Commission has jurisdiction, and

Provided, further, that the order in Decision No. 7741, dated June 18, 1920, as amended, shall remain in full force and effect, except as modified by this second supplemental order.

Dated at San Francisco, California, this twenty-second day of July, 1920.

DECISION NO. 7908.

IN THE MATTER OF THE APPLICATION OF COAST COUNTIES GAS AND ELECTRIC COMPANY, A CORPORATION, FOR AN ORDER REVISING ITS RATES AND CHARGES FOR GAS.

Application No. 5526.

Decided July 26, 1920.

S. Waldo Coleman, for Applicant.
Geo. W. Smith, city attorney, for Santa Cruz.
T. D. O'Donnell, city attorney, for Hollister.
A. W. Sans, city attorney, for Watsonville.

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BY THE COMMISSION.

OPINION.

This is an application of Coast Counties Gas and Electric Company for authority to revise and increase its rates and charges for gas served to its consumers in the cities of Santa Cruz, Watsonville, Hollister and Gilroy. Applicant alleges that since the fixing of the present rates by the Commission in its Decision No. 6323, dated May 12, 1919, its operating expenses have increased due to advances in the costs of oil and labor.

Public hearings were held before Examiner Satterwhite in Santa Cruz and in Watsonville on May 7, 1920, and the matter thereupon submitted.

Applicant is engaged in supplying gas in Santa Cruz, Watsonville, Hollister and Gilroy, operating separate plants in each of these communities. The Gilroy plant, however, is owned by the city and is operated by applicant under a lease. The total number of consumers supplied during 1919 was 3730. Estimates for the year 1920 indicate some increase.

At the time of the hearing for Application No. 4268, in which the present rates were established, protestants in Watsonville testified as to the poor service conditions resulting principally from inadequate pressure and fluctuating gas quality. Further investigation in connection with the present proceeding shows that pressure conditions have not been completely remedied. Tests and records of gas quality show a marked improvement in all districts except Gilroy. The average quality that applicant is required to maintain has been 550 B. T. U. per cubic foot, upon which basis the rates now in effect were fixed. Applicant will be expected to improve pressure and quality conditions in all districts so as to fully comply with the requirements of General Order No. 58 of this Commission.

Analysis of applicant's operations show that its plants are producing gas upon an economical basis, electric power being used to a considerable extent, thereby effecting a saving in the amount of oil required for boiler purposes. Most of the steam required is generated by the use of lampblack residue from gas manufacture.

The price paid for oil has been increasing steadily. The accompanying table shows this increase from 1917 to date of hearing. Since the submission of this case the price of oil has been further increased by 15 cents per barrel, effective July 14, 1920. This further advance will be considered in arriving at the rates herein fixed.

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TABLE I.

Prices of Fuel Oil Per Barrel F. O. B. Plants.

	Santa Cruz	Watsonville	Hollister	Gilroy
Prior to October 1, 1917	$0.77	$0.88	$0.95	$0.86
October 1, 1917	1.631	1.729	1.835	1.721
November 1, 1917	1.646	1.747	1.856	1.739
March 12, 1918	1.696	1.797	1.906	1.789
May 2, 1918	1.846	1.947	2.056	1.939
June 25, 1918	1.868	1.997	2.131	1.983
August 9, 1918	1.997	2.098	2.215	2.098
January 1, 1919	1.828	1.926	2.039	1.926
March 17, 1920	2.078	2.176	2.289	2.176
July 14, 1920	2.228	2.326	2.439	2.326
Increase since present prices were fixed	.40	.40	.40	.40

The following table summarizes the gas operations of Coast Counties Gas and Electric Company for the year 1919:

TABLE II.

Gas Operating Statistics, 1919.

	Santa Cruz	Watsonville	Hollister	Gilroy	Total
Consumers	1,768	1,018	484	460	3,730
Gas sold, M. cu. ft.	42,148.8	24,110.1	10,528.2	9,232.2	86,019.3
Gas made, M. cu. ft.	54,838.6	32,244.7	14,359.3	11,966.9	113,409.5
Barrels oil used	12,898	7,758	3,429	2,883	26,968
Gallons oil per M. sold	12.9	13.5	13.7	13.1	----------
Revenue gas sales	$67,864	$39,785	$18,484	$16,083	$142,217
Operating expenses	58,393	34,990	20,233	16,133	129,751
Net for return	$9,470	$4,794	*$1,749	*$49	$12,466
Investment	$202,085	$118,902	$83,207	$35,124	$439,318

*Deficit.

During 1919 the applicant's gas business earned $12,466 after deducting operating expenses and depreciation, or a return of 2.84 per cent on its invested capital of $439,318.

The rate base for applicant's gas properties is set forth in the following table and is based upon values used in Decision No. 6323 as of January 1, 1919. Additions and betterments for the years 1919 and 1920 have been added to arrive at the average investment for the year 1920.

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TABLE III.

Rate, Base, Gas Department.

Physical property, December 31, 1918	$404,274 00
Additions, 1919	4,518 00
December 31, 1919	$408,792 00
Estimated Average.	
Additions, 1920	2,250 00
Average physical property, 1920	$411,042 00
Materials and supplies	13,350 00
Working cash capital	22,450 00
Rate base	$446,842 00

The following table shows the revenue and expenses of applicant's gas business based upon the rates now charged and upon present costs of operation, including the price now in effect for fuel oil at its several plants. These figures are based on the sale of 96,410,000 cubic feet of gas to 4063 consumers, in the production of which there will be used 30,870 barrels of oil at an average cost of $2.285 per barrel.

TABLE IV.

Gas Department Revenue and Expenses.

Revenue from present rates		$161,600 00
Operating expenses:		
Production (oil)	$70,538 00	
Production (other)	35,350 00	
Distribution	9,900 00	
Commercial	9,215 00	
General	6,735 00	
Taxes	10,500 00	
Insurance	1,255 00	
Uncollectible bills	1,135 00	
Depreciation	13,215 00	
Total operating expenses		157,843 00
Net income for return		$3,757 00

The operating costs set forth above, amounting to $157,843, show an increase of $28,092 over the corresponding items for the year 1919. This is due principally to the increased cost of oil in the several districts, as well as the additional cost of labor and supplies. It will be noted that the net income to be derived from the existing rates under the present higher cost of operation is reduced to $3,757 which corresponds to a return of less than 1 per cent upon an investment of $446,842, which appears to be a reasonable rate base for the period under consideration.

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Applicant should therefore be permitted to increase its rates and charges sufficient to restore its earnings and absorb the increased costs of operation. The rates herein established are designed to provide the additional necessary revenue, and take into consideration the present upward tendency of the fuel oil market and the fact that applicant's operations for some months have been subject to the increased costs now in effect without reimbursement in the form of higher rates. The annual revenue to be derived from the proposed rates is estimated to be $197,000 and after the deduction of the taxes upon the increase in revenue to be thus obtained, applicant should earn a net return of $37,000 per annum from its gas operations.

ORDER.

Coast Counties Gas and Electric Company having applied to the Railroad Commission for authority to increase its rates and charges for gas service in Santa Cruz, Watsonville, Hollister and Gilroy, public hearings having been held, and the matter submitted and being now ready for decision:

The Railroad Commission of the State of California hereby finds as a fact that the rates now charged for gas by Coast Counties Gas and Electric Company are not just and reasonable rates in so far as they do not adequately compensate it for its investment and in so far as they differ from the rates and charges herein established.

Basing its order upon the foregoing findings of fact and on the other findings of fact contained in the opinion which precedes this order;

It is hereby ordered, that Coast Counties Gas and Electric Company be and is hereby authorized to charge and collect for gas in the respective localities and for the classes of service set forth, the following schedules of rates effective for all regular meter readings taken on and after the 26th day of July, 1920, to wit:

SCHEDULE NO. 1.

General Service—Santa Cruz District.

	Gross	Net	
First 400 cubic feet or less per meter per month	$1 10	$1 00	
Next 2000 cubic feet per meter per month	1 95	1 85	per 1000 cubic feet
Next 5000 cubic feet per meter per month	1 70	1 60	per 1000 cubic feet
Next 7000 cubic feet per meter per month		1 40	per 1000 cubic feet
All over 15000 cubic feet per meter per month		1 20	per 1000 cubic feet

Prompt payment discount.

All bills are rendered at the gross rate shown above. A discount reducing the bill to the net rate is made for prompt payment in case bills are paid within ten days of presentation.

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SCHEDULE NO. 2.

General Service—Watsonville District.

	Gross	Net	
First 400 cubic feet or less per meter per month	$1 10	$1 00	
Next 2600 cubic feet per meter per month	2 05	1 95	per 1000 cubic feet
Next 5000 cubic feet per meter per month	1 70	1 60	per 1000 cubic feet
Next 7000 cubic feet per meter per month		1 40	per 1000 cubic feet
All over 15000 cubic feet per meter per month		1 20	per 1000 cubic feet

Prompt payment discount.

All bills are rendered at the gross rate shown above. A discount reducing the bill to the net rate is made for prompt payment in case bills are paid within ten days of presentation.

SCHEDULE NO. 3.

General Service—Hollister and Gilroy.

	Gross	Net	
First 400 cubic feet or less per meter per month	$1 10	$1 00	
Next 2600 cubic feet per meter per month	2 20	2 10	per 1000 cubic feet
Next 5000 cubic feet per meter per month	2 00	1 90	per 1000 cubic feet
Next 7000 cubic feet per meter per month		1 50	per 1000 cubic feet
All over 15000 cubic feet per meter per month		1 25	per 1000 cubic feet

Prompt payment discount.

All bills are rendered at the gross rate shown above. A discount reducing the bill to the net rate is made for prompt payment in case bills are paid within ten days of presentation.

SCHEDULE NO. 4.

Gas Service with Prepay Meters—Santa Cruz and Watsonville.

Rate per 1000 cubic feet per meter per month	$2 20
Minimum monthly charge, per meter	1 25

SCHEDULE NO. 5.

Gas Service for Hotels, Restaurants and Bakeries—Santa Cruz and Watsonville.

	Gross	Net
Rate per 1000 cubic feet per month	$1 20	$1 15
Minimum weekly charge per meter	7 50	7 00
Annual guarantee		150 00

Prompt payment discount.

All bills are rendered at the gross rate shown above. A discount reducing the bill to the net rate is made for prompt payment in case bills are paid within ten days of presentation.

SCHEDULE NO. 6.

Gas Service for Hotels, Restaurants and Bakeries—Hollister and Gilroy.

	Gross	Net
Rate per 1000 cubic feet per month	$1 30	$1 25
Minimum weekly charge per meter	7 50	7 00
Annual guarantee		150 00

Prompt payment discount.

All bills are rendered at the gross rate shown above. A discount reducing the bill to the net rate is made for prompt payment in case bills are paid within ten days of presentation.

Provided, Coast Counties Gas and Electric Company shall, within ten days from the date of this order, file with the Railroad Commission the schedules of gas rates herein established.

Dated at San Francisco, California, this twenty-sixth day of July, 1920.

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DECISION NO. 7920.

IN THE MATTER OF THE APPLICATION OF EMMA H. ROSE, ANNA G. LANE AND HOBART ESTATE COMPANY, A CORPORATION, FOR AN ORDER DIRECTING THE INSTALLATION OF METERS UPON THE SERVICES OF DOMESTIC AND INDUSTRIAL CONSUMERS.

Application No. 5713.

Decided July 26, 1920.

BY THE COMMISSION.

ORDER.

Applicants in the above entitled proceeding having asked permission of the Commission to place meters upon services of consumers of water in Angels Camp, Murphys, Vallecito and Altaville, Calaveras County; and having asked that meter rates be established for such service; and having stated that they do not seek through this application an increase in revenue from the sale of water, but that they desire such meter rates be established as will yield them the same net revenue as is derived from the existing flat rates, and that the metering of services and the establishment of meter rates is desired to prevent excessive waste of water by domestic and industrial users and to permit the use of water so conserved for the purposes of electric power production; and it appearing that this is a proceeding in which a hearing is not necessary;

It is hereby ordered, that Emma H. Rose, Anna G. Lane and Hobart Estate Company, a corporation, be and the same are hereby authorized to file with this Commission within ten (10) days from the date of this order and thereafter charge the following rates for water delivered to their consumers:

Monthly minimum charges.

For ⅝-inch meters	$1 25
For ¾-inch meters	1 50
For 1-inch meters	2 00
For 1½-inch meters	2 50
For 2-inch meters	3 00
For 3-inch meters, and larger	4 00

Monthly meter rates.

From 0 to 500 cubic feet, per 100 cubic feet	25 cents
From 500 to 2000 cubic feet, per 100 cubic feet	20 cents
Over 2000 cubic feet, per 100 cubic feet	15 cents

It is hereby further ordered, that the authorization to establish the above schedule of rates is expressly conditioned upon applicant's holding as a trust fund any sum derived from the rates established herein over and above the sum which would be produced by the flat rates heretofore in effect. Such overplus, if any, shall at all times be held at the disposition of this Commission for the benefit of the consumers.

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It is hereby further ordered, that Emma H. Rose, Anna G. Lane and Hobart Estate Company, a corporation, be and the same are hereby directed to file with this Commission every sixty (60) days beginning September 1, 1920, a statement setting out fully and in detail the results of the application of the rates herein established and the revenue which would have been yielded by the flat rates heretofore in effect.

Dated at San Francisco, California, this twenty-sixth day of July, 1920.

DECISION NO. 7921.

IN THE MATTER OF THE APPLICATION OF SOUTHERN CALIFORNIA EDISON COMPANY AND CITY OF PASADENA FOR AN ORDER AUTHORIZING THE EXECUTION OF A CERTAIN AGREEMENT FOR THE LEASE AND SALE OF CERTAIN ELECTRICAL DISTRIBUTING SYSTEMS.

Application No. 3666.

(Supplemental)

Decided July 26, 1920.

BY THE COMMISSION.

ORDER ON SECOND SUPPLEMENTAL APPLICATION.

Whereas, Southern California Edison Company and city of Pasadena were heretofore authorized in this Commission's Decision No. 7707 in the above entitled application, dated June 9, 1920, to execute a certain agreement for the sale of certain properties of Southern California Edison Company to the city of Pasadena and the sale of certain properties by the city of Pasadena to the Southern California Edison Company, such sale and transfer to be completed on or before July 15, 1920; and

Whereas, the transfer as required has not been possible of consummation in the time set forth in the previous agreement; and

Whereas, applicants have filed supplemental application requesting approval of a certain lease agreement dated July 9, 1920, to become effective July 16, 1920, and to continue thereafter until such time as the property or properties involved can be legally transferred; and

Whereas, it appears that said agreement of lease, which is attached to and made a part of the application, is satisfactory to the Commission;

It is hereby ordered, that Southern California Edison Company and city of Pasadena are hereby authorized to enter into said lease agreement, dated July 9, 1920, and set forth in Exhibit "A" attached to the second supplemental application; and

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Southern California Edison Company and city of Pasadena are hereby further authorized to carry out the terms and conditions of said agreement as therein set forth.

Dated at San Francisco, California, this twenty-sixth day of July, 1920.

DECISION NO. 7926.

IN THE MATTER OF THE APPLICATION OF RED BLUFF FLOUR MILLS FOR AUTHORITY TO INCREASE RATES FOR STORING AND HANDLING GRAIN AT RED BLUFF.

Application No. 5621

IN THE MATTER OF THE APPLICATION OF CONE AND KIMBALL COMPANY, FOR AUTHORITY TO INCREASE RATES FOR STORING AND HANDLING GRAIN AT RED BLUFF.

Application No. 5622.

IN THE MATTER OF THE APPLICATION OF W. H. FISHER, A WAREHOUSEMAN, FOR AUTHORITY TO INCREASE RATES FOR STORING AND HANDLING GRAIN AT RED BLUFF.

Application No. 5623.

Decided July 29, 1920.

H. K. Willard, for Red Bluff Flour Mills.

G. K. King, for Cone and Kimball Company.

W. H. Fisher, in propria persona.

BY THE COMMISSION.

OPINION.

Applicants herein operate public warehouses at Red Bluff, Tehama County, grain being the principal commodity stored. Existing rates for storing and handling grain are identical at each of the warehouses involved. These rates together with increased rates proposed in the applications as amended are as follows:

Grain in sacks.	Present rates	Proposed rates
Storage, including in-weighing and out-loading, per season, per ton	$0 90	$1 50
Reweighing, per ton	10	20
Repiling, per ton	40	50
Receiving and loading direct to car, per ton	25	50
Receiving and loading, involving double handling, per ton	40	75
Weighing in, for loading, per ton	10	20

A public hearing on the applications was held at Red Bluff on June 18, 1920. By stipulation of interested parties, the petitions were consolidated for hearing and decision, the testimony relating to increased operating costs being equally applicable to all.

These applications as amended are based primarily upon the representation that warehouse labor obtainable prior to 1918 at $2.50 and $3 per day now costs from $5 to $6 per day, the increase over

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wages for 1919 being approximately 25 per cent. The result of this situation is clearly illustrated in operating statements submitted by applicants in which constantly rising labor costs reflect a corresponding decline in net revenues from 1917 to date, totals for the fiscal year 1919–1920 being as follows:

	Revenue	Expense	Net
Red Bluff Flour Mills	$1,657 80	$1,715 50	$57 70 loss
Cone and Kimball Company	1,715 88	1,752 17	36 29 loss
W. H. Fisher	1,569 46	1,489 17	80 29 gain

The warehouses of Red Bluff Flour Mills are used in connection with its general milling business. Grain purchased for the mills is usually handled through the warehouse by the milling crew, no storage being involved. Applicants' buildings have a combined capacity of 14,000 square feet available for storage, being sufficient to accommodate 40,000 bags of grain. An appraisal of these buildings by applicant in 1914 shows a value of $15,336.83 as of that date. Exclusive of insurance, which applicant itself carries, and depreciation and upkeep on buildings and equipment, applicant estimates that the rates proposed would have produced for the 1919–1920 storage season, under wages and other expense then in operation, net revenue amounting to $745.20, in lieu of an actual $57.70 already noted.

Cone and Kimball Company's warehouses are operated in connection with its general merchandise store. In addition to regular outside storage accounts, considerable quantities of flour, sugar and salt are stored from time to time by applicant for varying brief periods, for which service the storage business is arbitrarily credited with $600 per annum. This applicant's warehouses consist of three wooden buildings each 45x150 feet, having a combined capacity of 45,000 bags of grain and an estimated value of $8,000. For the ground on which the warehouses are located, applicant pays as rental to Southern Pacific Company $140 per year. It is applicant's contention that unless a volume of grain greater than that handled for 1919–1920 is received at its warehouse during the present season, last year's operating deficit will be repeated if not enlarged, even under the rates proposed.

W. H. Fisher's warehouse is operated in conjunction with his mercantile business, bookkeeping and shipping details being handled from the store, for which no charge against the warehouse is made; on the other hand, applicant's excess grocery stock is at times stored in the warehouse, without credit to the storage account, the one service tending to offset the other. The warehouse is a frame structure 50x150 feet, having an estimated value of $1,200 and a capacity of 20,000 bags of grain. A ground rental of $60 is paid to Southern Pacific Company for the land on which the warehouse stands.

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Applicant estimates that on the basis of last year's crop, had the proposed rates and present operating costs been in effect, he would have received gross revenue amounting to $2,354.17 and incurred expense of $1,878.04, leaving $476.13 net revenue against $80.29 the actual net amount received for the said season as previously shown.

Practically all managerial, as well as clerical services, ordinarily chargeable to warehousing have been rendered by applicants without charge, in connection with their other lines of business.

No one appeared in protest at the hearing, or otherwise indicated opposition to the proposed rates, although notified individually and through the usual public channels.

The rates proposed are not in excess of the charges assessed for similar service at other warehouses, and will apparently, under present conditions, yield less than a fair return on the several investments in warehouses and equipment.

We are of the opinion that the rates requested have been justified and should be authorized.

ORDER.

Red Bluff Flour Mills, Cone and Kimball Company and W. H. Fisher, warehouse utilities, having applied to this Commission for authority to increase rates for storing and handling grain at Red Bluff, a hearing having been held thereon, the matter having been submitted and the Commission being fully advised as to the merits of the request:

It is hereby found as a fact that the rates proposed by applicants as hereinafter set forth are just and reasonable for the service involved; and that applicants' existing rates, in so far as they conflict therewith, are unjust and noncompensatory.

Basing its order upon the foregoing findings of fact and upon other facts stated in the preceding opinion;

It is hereby ordered, by the Railroad Commission of the State of California, that Red Bluff Flour Mills, Cone and Kimball Company and W. H. Fisher be and they are hereby authorized to publish and file immediately and thereafter collect rates for warehouse service in accordance with the following schedule:

Warehouse Rates.

Grain in sacks:	Per ton
Storage, per season ending May 31, including weighing and loading out	$1 50
Reweighing	20
Repiling	50
Receiving and loading direct to car	50
Receiving and loading direct to car, involving double handling	75
Weighing in for direct loading	20

Dated at San Francisco, California, this twenty-ninth day of July, 1920.

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DECISION No. 7927.

IN THE MATTER OF THE APPLICATION OF PACIFIC ELECTRIC RAILWAY COMPANY FOR AUTHORITY TO ISSUE REFUNDING MORTGAGE FIFTY-YEAR GOLD BONDS UNDER ITS MORTGAGE DATED SEPTEMBER 1, 1911, TO THE AMOUNT OF TWO HUNDRED THOUSAND DOLLARS TO REFUND BONDS ISSUED UNDER THE MORTGAGE OR DEED OF TRUST OF THE RIVERSIDE AND ARLINGTON RAILWAY COMPANY TO UNION TRUST COMPANY OF SAN FRANCISCO, DATED SEPTEMBER 5, 1899.

Application No. 5400.

Decided July 29, 1920.

Frank Karr, for Applicant.

BRUNDIGE, *Commissioner.*

OPINION.

Pacific Electric Railway Company asks permission to issue and sell at par $200,000 of its 5 per cent refunding mortgage bonds due September 1, 1961.

As a result of the acquisition of the properties of the Riverside and Arlington Railway Company, Pacific Electric Railway Company assumed the payment of $200,000 of that company's 4 per cent bonds, which matured August 14, 1919, but which have not been paid. All of these bonds are owned by the Southern Pacific Company, which is willing to accept in payment therefor $200,000 of Pacific Electric Railway Company 5 per cent refunding mortgage bonds.

Pacific Electric Railway Company was organized in 1911 and reports $34,000,000 of stock outstanding on December 31, 1919, of which $3,999,400 is owned by the Southern Pacific Company. Applicant has issued or assumed the payment of bonds in the principal sum of $57,845,400, more than one-half of which are reported to be owned by the Southern Pacific Company. The testimony shows that the earnings of the Pacific Electric Company are at present not sufficient to pay interest on all of the outstanding bonds, but that the interest has regularly been paid on all bonds held by individuals, and that the Southern Pacific Company is willing to defer, without foreclosure, the payment of interest on bonds held by it in case the earnings of applicant are inadequate to pay such interest. The Southern Pacific Company has from time to time advanced moneys to Pacific Electric Railway Company for construction purposes and to enable that company to meet its obligations. Advances so made are carried as an open account indebtedness, which on December 31, 1919, was reported at $12,345,511.65.

The testimony shows that the $200,000 of 4 per cent Riverside and Arlington Railway Company bonds were sold at 80. Of the bonds,

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$100,000 were sold during July, 1900, $10,000 during May, 1903, and $90,000 during July, 1908. All of the discount has been amortized.

The proceeds from the sale of the bonds were used, according to applicant's report, to pay construction costs.

The bonds which applicant asks permission to issue bear 5 per cent interest, as compared with 6 per cent interest charged by the Southern Pacific Company on open account indebtedness. It is because of this lower interest rate, the willingness of the Southern Pacific Company to accept the bonds at par and other facts and circumstances relating to this as distinguished from other proceedings of a similar character, that I am willing to recommend that this application be granted. The granting of the application should not be considered as a precedent either by applicant or any other public utility corporation.

I herewith submit the following form of order:

ORDER.

Pacific Electric Railway Company having applied to the Railroad Commission for permission to issue $200,000 of its 5 per cent refunding mortgage bonds, a public hearing having been held and the Railroad Commision being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required for the purpose or purposes specified in this order, and that the expenditures for such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income;

It is hereby ordered, that Pacific Electric Railway Company be and it is hereby authorized to issue and sell on or before December 1, 1920, to the Southern Pacific Company, at not less than par, $200,000 of its refunding mortgage 5 per cent bonds due September 1, 1961, for the purpose of paying the $200,000 of Riverside and Arlington Railway Company bonds referred to in this application.

The authority herein granted is subject to further conditions as follows:

1. Prior to, or concurrent with, the issue of the bonds herein authorized, the $200,000 of Riverside and Arlington Railway Company bonds referred to in this application shall be cancelled and the mortgage securing the payment of such bonds released of record.

2. Pacific Electric Railway Company shall keep such record of the issue and sale of the bonds herein authorized and of the disposition of the proceeds as will enable it to file on or before the twenty-fifth day of each month a verified report, as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

3. The authority herein granted will not become effective until applicant has paid the fee prescribed in the Public Utilities Act.

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The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-ninth day of July, 1920.

DECISION NO. 7928.

IN THE MATTER OF THE COMMISSION'S INVESTIGATION INTO THE RATES, RULES, REGULATIONS, SERVICE AND PRACTICES OF CONSERVATIVE INVESTMENT COMPANY.

Case No. 1408.

Decided July 29, 1920.

C. Wesley Roberts, for Conservative Investment Company.

MARTIN, *Commissioner*.

OPINION.

Certain consumers of water receiving their supply from the Conservative Investment Company, a water utility serving the territory known as Neff Station Acres, Los Angeles County, having made informal complaint to the Railroad Commission relative to service conditions under this system, and it appearing that no adequate relief could be obtained in an informal way, the Commission instituted an investigation upon its own motion, and held a public hearing thereon.

The subdivision known as Neff Station Acres was placed upon the market by T. Wiesendanger and a small pumping plant and distributing pipe system installed to supply consumers on the tract. Subsequently Mr. Wiesendanger disposed of his interest in the tract to Conservative Investment Company, which has since supplied the consumers.

Some years ago, owing to damage to the pumping plant, a connection was made between the distribution system and the mains of the Inglewood Water Company. Conservative Investment Company, however, continued to distribute water and make collections for the service.

In 1916 Conservative Investment Company made application to the Commission to discontinue service or for other relief. The prayer for permission to discontinue was denied, but the rates were adjusted and the utility was ordered to place meters upon all unmetered services.

It appears that Conservative Investment Company has forfeited its charter through failure to pay license and corporation taxes, but that its affairs have been administered by its president C. Wesley Roberts, as trustee. Water bills were paid and collections made

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either under the name of Conservative Investment Company or Citizens Securities Company, of which Mr. Roberts is also president.

It also appears that in November, 1919, bills were sent out in the name of Citizens Securities Company increasing the minimum rate from $1 per month, as established by the Commission, to $2 per month. This action, without authority from the Commission and therefore in violation of the Public Utilities Act, resulted in the refusal of some of the consumers to pay, and the deposit, by other consumers, of the amounts claimed to be due, with the Commission for adjustment.

It appears that during the thirteen months ending January 27, 1920, there was delivered into the distribution system by Inglewood Water Company 300,400 cubic feet. There are 12 consumers and the indicated average monthly use is 23,100 cubic feet per consumer, which is unduly large but is explained by the fact that the meters are out of order, do not register, and consumers can take all the water they desire.

Inglewood Water Company has presented bills to Conservative Investment Company for water delivered, during the thirteen months ending January 27, 1920, amounting to $288.47. This is an average of $1.85 per consumer per month.

Repair of the utility's meters, charging for water used at metered rates and the repair of leaky pipe lines will cut down the present extravagant water use, and reduce the bills for water supplied by Inglewood Water Company.

Complaints of inadequate service are apparently due largely to the fact that the connection between the mains of the Inglewood Water Company and the utility's distribution system is a pipe of only one inch diameter, while the pipes in the distribution system are two inches or more in diameter.

The present established rates for metered service are as follows. These have not been in effect owing to the fact that the utility has neglected to keep its meters in repair and has billed consumers at flat rates:

Minimum per month for the first 400 cubic feet or less	$1 00
From 400 to 2000 cubic feet, per 100 cubic feet	0 13
Over 2000 cubic feet, per 100 cubic feet	0 08
Fire hydrants, per year per outlet	5 00

No record of maintenance and operation expense other than the cost of water purchased for resale, has been kept and it is, therefore, impossible to determine with any accuracy the proper annual charges. It is apparent, however, that the present rates will not yield sufficient revenue to permit the utility to render adequate service.

The rates established in the accompanying order will, however, do substantial justice to both the consumers and the utility.

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I submit the following form of order:

ORDER.

The Railroad Commission having instituted an investigation upon its own motion in the above entitled proceeding, a public hearing having been held thereon, and being fully advised in the matter:

It is hereby found as a fact that the rates now charged by Conservative Investment Company for water delivered to consumers in Neff Station Acres, Los Angeles County, are unjust and unreasonable, in so far as they differ from the rates herein established, and that the rates herein established are just and reasonable rates to be charged for such service; and basing the order upon the foregoing finding of fact and upon the statements of fact contained in the opinion preceding this order;

It is hereby ordered, that Conservative Investment Company be and it is hereby authorized and directed to file with the Railroad Commission within twenty days of the date of this order and thereafter charge the following rates for water delivered to consumers in Neff Station Acres:

Metered service.

Minimum monthly payment, entitling consumer to 500 cubic feet	$1 50
From 500 to 1000 cubic feet, per 100 cubic feet	0 20
Over 1000 cubic feet, per 100 cubic feet	0 15
Fire hydrants per year per outlet	12 00

And it is hereby further ordered, that Conservative Investment Company begin at once and proceed diligently to complete the following improvements to its utility property:

1. Repair leaks in the distribution pipe system.
2. Repair meters and place a meter upon each service.
3. Replace the present one-inch pipe connecting the mains of Inglewood Water Company and the utility's distribution pipe system with a pipe of not less than two inches internal diameter.
4. Such other improvements or betterments as are necessary to furnish adequate service to consumers.

And it is hereby further ordered, that Conservative Investment Company file with the Railroad Commission within ten days of the date of this order detailed plans and specifications of the improvements ordered herein, and shall make written reports to the Commission at intervals of two weeks showing the progress of the work.

And it is hereby further ordered, that the collection of the rates herein established is expressly conditioned upon adequate service being furnished to consumers.

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The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-ninth day of July, 1920.

DECISION NO. 7936.

IN THE MATTER OF THE APPLICATION OF HAINES CANYON WATER COMPANY FOR AUTHORITY TO CREATE BONDED INDEBTEDNESS.

Application No. 5219.

Decided July 29, 1920.

BY THE COMMISSION.

FIRST SUPPLEMENTAL ORDER.

Whereas, the Railroad Commission by Decision No. 7278, dated March 17, 1920, authorized Haines Canyon Water Company to execute a trust deed to secure the payment of an authorized issue of $50,000 of first mortgage bonds; and

Whereas, Haines Canyon Water Company in a supplemental petition, filed July 19, 1920, in this proceeding, asks permission to modify the trust deed approved by said Decision No. 7278, by eliminating therefrom Parcel No. 6 of the property mortgaged, which reads as follows:

> The reservoir as now constructed on the southeast quarter section 18, township 2, in range 13 west, San Bernardino base and meridian, approximately on lot No. 19 of tract No. 2055;

and

Whereas, applicant reports that the reason for this proposed modification is that it has a mere easement in such property, and for that reason the trustee is unable to certify the bonds to be issued under said trust deed as first mortgage bonds, and applicant reporting that it is possible for it to sell said bonds without the inclusion of Parcel No. 6 in said trust deed, and it appearing to the Railroad Commission that applicant's request should be granted; therefore

It is hereby ordered, that Haines Canyon Water Company be and it is hereby authorized to modify the trust deed, the execution of which is authorized by Decision No. 7278, dated March 17, 1920, by eliminating therefrom Parcel No. 6 of the property mortgaged under said trust deed, provided that the approval herein given to such modification is for the purpose of this proceeding only, and an approval in so far as the Railroad Commission has jurisdiction under the terms of the Public Utilities Act.

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It is hereby further ordered, that the order in Decision No. 7278, dated March 17, 1920, shall remain in full force and effect except as modified by this first supplemental order.

Dated at San Francisco, California, this twenty-ninth day of July, 1920.

DECISION NO. 7937.

IN THE MATTER OF THE APPLICATION OF COMPTON TRANSPORTATION COMPANY, A CORPORATION, FOR AN ORDER AUTHORIZING THE ISSUE AND SALE OF STOCK.

Application No. 5057.

Decided July 29, 1920.

BY THE COMMISSION.

FIRST SUPPLEMENTAL ORDER.

Whereas, the Railroad Commission by Decision No. 7383, dated April 8, 1920, authorized Compton Transportation Company to issue at par 20,000 shares ($20,000) of its common capital stock; 25 shares to be sold for working capital, and the balance, 19,975 shares, to be delivered to acquire property consisting of two 9-passenger Packard automobiles, one 12-passenger Stevens-Duryea, and four 16-passenger Reos, together with materials and supplies, all of a reported aggregate net value of $20,020; and,

Whereas, Compton Transportation Company now reports that it is unable to obtain two of the 16-passenger Reos, valued at $6,000, and asks the Commission to amend its order in Decision No. 7383 so as to permit it to purchase in lieu of the two 16-passenger Reos, two 9-passenger Packards and one 20-passenger Chevrolet, as shown in applicant's amended Exhibit "A" filed in this proceeding on July 7, 1920, and it appearing to the Railroad Commission that applicant's request should be granted; now, therefore,

It is hereby ordered, that the order in Decision No. 7383, dated April 8, 1920, be and it is hereby modified so as to permit Compton Transportation Company to deliver the 19,975 shares of stock, the issue of which was authorized by said Decision No. 7383, in exchange for the property shown in the amended Exhibit "A" filed in this proceeding on July 7, 1920.

It is hereby further ordered, that the order in Decision No. 7383, dated April 8, 1920, shall remain in full force and effect except as modified by this first supplemental order.

Dated at San Francisco, California, this twenty-ninth day of July, 1920.

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DECISION NO. 7940.

IN THE MATTER OF THE APPLICATION OF WESTERN STATES GAS AND ELECTRIC COMPANY, A CORPORATION, FOR REVISION OF ITS SCHEDULES OF RATES CHARGED FOR GAS IN THE CITY OF EUREKA, HUMBOLDT COUNTY, CALIFORNIA.

Application No. 5729.
Decided August 2, 1920.

Chickering and Gregory, by *W. C. Fox*, for Applicant.
J. W. Henderson, city attorney, for city of Eureka.

BY THE COMMISSION.

OPINION.

In this proceeding Western States Gas and Electric Company, engaged in supplying gas and electric service in and about the city of Eureka, Humboldt County, applies for authority to increase its rates and charges for gas service in the city of Eureka. It alleges that on account of the increase in the cost of oil used in gas manufacture and the advances in wages paid to employees its present rates for gas do not afford adequate return upon its investment or yield sufficient to provide a depreciation reserve for its gas properties.

A public hearing was held on June 25, 1920, before Examiner Satterwhite at Eureka, at which time evidence was introduced and the matter submitted.

The rates now charged by applicant for gas service in Eureka were established by this Commission's Decision No. 5155 in Application No. 3373, dated February 25, 1918, since which time the cost of oil used in gas manufacture has advanced from $1.75 per barrel to $2.80 per barrel. The following table shows the extent of applicant's gas business, its revenues, operating expenses, capital and earnings for the past three years:

TABLE I.

Western States Gas and Electric Company, Eureka Gas Division.

Year ending June 1	1918	1919	1920
Consumers	965	1,009	1,074
Sales of gas, M. cu. ft.	20,420	21,226	23,732
Barrels of oil used	6,601	6,670	7,391
Cost of oil, per barrel	$1.189	$1.693	$1.785
Gross revenue	$28,552	$34,985	$38,467
Operating expenses	22,997	28,047	31,137
Net income	$5,555	$6,938	$7,330
Depreciation	3,809	3,857	3,974
Return	$1,746	$3,081	$3,356
Capital, including materials and supplies and working capital	$169,092	$171,680	$176,807
Rate of return	1.03%	1.79%	1.90%

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The capital for each year shown above is based upon the findings of value in this Commission's Decision No. 3852 in Application No. 1998, dated November 6, 1917, to which has been added the subsequent additions and betterments based upon the actual cost thereof, and an allowance for working capital and materials and supplies. The above table shows that after deducting the proper charge for depreciation upon its properties, applicant's gas business in Eureka has not at any time during the past three years earned more than a nominal return. This is also true of its operations prior to the year 1918, as set forth in the Commission's decisions in past rate proceedings. The per capita consumption of gas in Eureka is comparatively low, as its use as a fuel is incidental, and although applicant has experienced a normal increase in the number of consumers supplied and in its sales of gas, it appears that the very nature of the business precludes any substantial return.

In addition to the increases in the cost of oil used in gas manufacture, applicant's material costs and wages paid have likewise increased, although these increases have been largely absorbed by the increased volume of sales. The following table shows the relative effect upon applicant's operating expenses of the increases in oil and the increases in other operating expenses.

TABLE II.

Western States Gas and Electric Company—Eureka Gas Division—Operating Costs.

Year ending June 1	1918	1919	1920	Est. 1921
Price of oil, per barrel	$1.189	$1.693	$1.785	$2.80
Sales of gas, M. cu. ft.	20,420	21,226	23,732	26,105
Cost per M. cu. ft. sold—				
Oil	38.4¢	53.2¢	55.6¢	87.3¢
Other operating expenses, excluding taxes and depreciation	63.6¢	67.8¢	63.4¢	61.7¢
Total per M. cu. ft. sold	102.0¢	121.0¢	119.0¢	149.0¢

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From the evidence herein it appears that a reasonable estimate of applicant's revenue, expenses and earnings for the year ending June 1, 1921, is as follows:

TABLE III.

Western States Gas and Electric Company—Eureka Gas Division—Revenue and Expenses and Return.

		Under present rates	Under proposed rates
Gross revenue		$42,290	$52,670
Operating expenses—			
Production, Oil	$22,770		
Production, other	7,135		
Distribution	3,245		
Commercial	1,816		
General	4,000		
		38,966	38,966
Taxes		3,053	3,820
Uncollectible accounts		211	211
Total operating expenses		$42,230	$42,997
Net for depreciation and return		$60	$9,673
Depreciation		4,064	4,064
Return on capital		*$4,044	$5,609
Rate of return on $181,930 capital			3.09%

*Deficit.

This estimate is based upon the sale of 26,105,000 cubic feet of gas to 1108 consumers, requiring the consumption of 8132 barrels of fuel oil at the price of $2.80 per barrel, which is the price that applicant will be required to pay for its next shipment of oil. From the above table it will be seen that the present rates are insufficient to yield to applicant more than its operating expenses, with no allowance for depreciation. It is apparent that applicant's rates for gas must be advanced if it is to earn even the nominal return experienced in the past.

The rates hereinafter established are intended to provide sufficient revenue to absorb the increased costs of operation which prevail under present conditions, and their effect upon applicant's earnings, as shown in Table III above, will enable it to meet all its operating expenses, provide for depreciation and a return upon capital devoted to the gas business. The average increase in the revenue resulting from these rates will be 38 cents per thousand cubic feet. By reason of the fact that a very large proportion of applicant's gas consumers use but very small quantities of gas it has been deemed advisable to modify

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the form of rate schedule in order to more properly apportion the costs of producing and distributing gas.

ORDER.

Western States Gas and Electric Company having applied for authority to increase its rates and charges for gas supplied in the city of Eureka, Humboldt County, a hearing having been held and the matter submitted and now ready for decision:

The Railroad Commission of the State of California hereby finds as a fact that the rates now charged by the Western States Gas and Electric Company for gas supplied in Eureka are not just, fair and reasonable rates, in so far as they do not provide sufficient revenue and in so far as they differ from the rates hereinafter established, and further finds as a fact that the rates hereinafter established are under present conditions fair and reasonable rates for gas service to be supplied by applicant in Eureka.

Basing its order on the foregoing findings of fact and the other findings of fact in the opinion which precedes this order;

It is hereby ordered, that the Western States Gas and Electric Company be and it is hereby authorized to charge and collect the following schedule of rates for gas supplied in the city of Eureka:

SCHEDULE OF GAS RATES.

Western States Gas and Electric Company—Eureka Division.

Rate.		
	100 cubic feet per meter per month	$1 15
	200 cubic feet per meter per month	1 30
	300 cubic feet per meter per month	1 45
	400 cubic feet per meter per month	1 60
	500 cubic feet per meter per month	1 75
	600 cubic feet per meter per month	1 90
	700 cubic feet per meter per month	2 05
	800 cubic feet per meter per month	2 20
	900 cubic feet per meter per month	2 35
First	1000 cubic feet per meter per month	2 50
		Per 1000 cubic feet
Next	1000 cubic feet per meter per month	2 00
Next	1000 cubic feet per meter per month	1 75
Next	2000 cubic feet per meter per month	1 50
All over	5000 cubic feet per meter per month	1 25

Minimum charge, $1 per month per meter.

which rates shall be effective for all regular meter readings taken on and after the fifteenth day of August, 1920.

Provided, Western States Gas and Electric Company shall within ten days of the date of this order file with the Railroad Commission of the State of California, the schedule of gas rates herein established.

Dated at San Francisco, California, this second day of August, 1920.

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DECISION NO. 7943.

ELIZABETH A. RODGERS

vs.

NORTHWESTERN PACIFIC RAILROAD COMPANY, A CORPORATION.

Case No. 1466.

Decided August 2, 1920.

TRESPASSING, PRIVATE PROPERTY—RAILROAD STATIONS, CLOSING OF.—The Railroad Commission will not direct a common carrier to discontinue and abandon stations which the public has used for a period of over thirty years on complaint of a property owner that certain of the passengers alighting from trains at such station trespass upon her property, as the Commission itself has no jurisdiction over the enforcement of the law as regards trespassing and such allegation in itself is insufficient to warrant the inconvenience to the public which would be caused by the abandonment of the stations in question.

John E. Bennett, for Complainant.

Stanley Moore, by *Elliott Johnson*, for Defendant.

BY THE COMMISSION.

OPINION.

Complainant in this proceeding alleges that the Northwestern Pacific Railroad Company transports large numbers of persons from San Francisco and other points to stations located adjacent to the ranch of complainant, such stations being designated as Shafter, Camp Berkeley, Irving, Camp Taylor and Taylorville; that such persons trespass on the ranch owned by complainant against her will and consent and that the posting of notices, public advertisement and patrolling of the ranch have failed to discourage the trespassing. The Commission is asked to make its order closing the stations above referred to.

Defendant filed its answer and amended answer denying that the persons transported by its line were carried for the purpose of trespassing on the ranch of complainant, and alleging that the stations sought to be closed are now used and have been used by large numbers of people and for many years. Defendant also alleges that the class of persons carried by its trains to and from the stations sought to be closed are peaceable and law-abiding citizens and that access to the property of the complainant is possible by the use of the county road which parallels the railroad track of defendant and that the requested closing of the above-mentioned stations would not in any manner affect access to the property of the complainant now available by the use of the county road.

A public hearing on this matter was conducted by Examiner Handford at San Francisco on July 21, 1920, at which time the matter was duly submitted and is now ready for decision.

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This Commission has no jurisdiction over the enforcement of the law as regards trespassing or the entering upon and damaging the property of the complainant. The evidence indicates that the stations herein sought to be closed have been established and used by the public for more than thirty years last past and there is no evidence justifying the closing of the stations.

The complaint will be dismissed in accordance with the following order:

ORDER.

A public hearing having been held on the above entitled proceeding, the matter having been duly submitted and the Commission being fully advised;

It is hereby ordered, that this complaint be and the same hereby is dismissed.

Dated at San Francisco, California, this second day of August, 1920.

DECISION NO. 7945.

PICKWICK STAGES, NORTHERN DIVISION, INCORPORATED,

vs.

CARPENTER AND LITTLEFIELD, COPARTNERS.

Case No. 1434.

Decided August 2, 1920.

THROUGH ROUTE—JOINT RATES—ESTABLISHMENT OF.—Litigants required to establish, within thirty days, a through route and joint rate between San Francisco and Monterey and the joint rate of $3.75 is divided $2.80 to the company operating between San Francisco and Salinas and 95 cents to the company operating between Salinas and Monterey.

N. C. Folsom and *J. E. McCurdy*, for Complainant.

Hudson, Martin and Jorgensen, by *Carmel Martin*, for Defendants.

F. S. Howard, for Southern Pacific Company.

BY THE COMMISSION.

OPINION.

The Pickwick Stages, Northern Division, Inc., filed a complaint against Carpenter and Littlefield, copartners, operating a stage line between Salinas and Monterey, setting forth that the defendants refused to concur in a joint through passenger fare between San Francisco and Monterey via Salinas, and petitioning the Railroad Commission to establish joint through fares and divisions. The complainant, Pickwick Stages, Northern Division, Inc., a corporation, is operating under the jurisdiction of the Railroad Commission between San Francisco and Los Angeles via Salinas and intermediate points, and between San Francisco and Portland and intermediate points,

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and the defendants. Carpenter and Littlefield, are operating a stage service between Salinas and Monterey.

The defendants' answer denied that public convenience and necessity require the establishment of a joint through rate and refused to agree with the complainant in the establishment of a joint through rate on account of the litigants being unable to agree upon a division of such joint through rate and the defendants give as their reason for failing to agree that a rate of less than $1 for the haul between Salinas and Monterey is unreasonable and unjust.

Public hearings in the case were held at Salinas and San Francisco, at which it was stipulated by the litigants that a joint through rate of $3.75 between San Francisco and Monterey via Salinas would be established and the division of such joint through rate would be determined by the Railroad Commission.

The complainant's regularly established and published fare between San Francisco and Salinas is $3.15 and the defendants, Carpenter and Littlefield's fare between Salinas and Monterey is $1 per passenger.

The Commission therefore holds that a reasonable division of the joint through rate of $3.75 between San Francisco and Monterey via Salinas would be based upon a rate pro rata, using as factors the local rate of $3.15 between San Francisco and Salinas and the local rate of $1 between Salinas and Monterey, thereby accruing 75 per cent of the joint through rate to the line between San Francisco and Salinas, and 25 per cent, or 95 cents, of the joint through rate accruing to the line between Salinas and Monterey.

ORDER.

It is hereby ordered, that the Pickwick Stages, Northern Division, Inc., a corporation, and Carpenter and Littlefield, copartners, will be required to establish joint through passenger fare between San Francisco and Monterey via Salinas and to divide the earnings derived from such joint through fare on the basis of $2.80 accruing to the Pickwick Stages, Northern Division, Inc., a corporation, as their portion San Francisco to Salinas, and 95 cents accruing to Carpenter and Littlefield, copartners, as their portion between Salinas and Monterey.

Joint through fare of $3.75 between San Francisco and Monterey via Salinas must be established by the Pickwick Stages, Northern Division, Inc., a corporation, and Carpenter and Littlefield, copartners, within thirty (30) days from the date of this order.

Dated at San Francisco, California, this second day of August, 1920.

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DECISION No. 7946.

IN THE MATTER OF THE APPLICATION OF PACIFIC GAS AND ELECTRIC COMPANY, A CORPORATION, FOR AN ORDER OF THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA AUTHORIZING APPLICANT TO INCREASE ITS RATES AND CHARGES FOR ELECTRIC ENERGY.

———

Application No. 5567.

Decided August 2, 1920.

———

BY THE COMMISSION.

OPINION ON APPLICATION FOR REHEARING.

The United Railroads of San Francisco has filed with the Commission, in the above entitled proceeding, an application urging that the Commission modify its decision so that the surcharge referred to in Commission's Decision No. 7823 shall not apply to electric service to the United Railroads, also urging that the terms and conditions covering the service and rates for power to United Railroads of San Francisco are as set forth in a certain contract dated August 30, 1909, between Sierra and San Francisco Power Company and United Railroads of San Francisco, which contract has a period of fifteen years to run from and after December 31, 1909; that the rates for power paid by the United Railroads under said contract are in excess of the rates paid by the principal street railroad corporations in the State of California; that to further increase the rate will result in unjust discrimination against said United Railroads and, further, that the Commission's Decision No. 7823, dated June 30, 1920, is in violation of the fifth and fourteenth amendments to the Constitution of the United States of America and is likewise in violation of article 1, sections 13, 14, and 16, of the constitution of the State of California as it existed prior to the amendment to said constitution in 1911 creating the Railroad Commission.

The points raised by the petition of the United Railroads of San Francisco and the matters therein urged were given due consideration by the Commission in connection with its Decision No. 7823, *supra,* and the Commission again finds that the surcharge heretofore authorized is just and reasonable.

ORDER.

The United Railroads of San Francisco having filed a petition requesting a modification of the Commission's Decision No. 7823 in Application No. 5567, dated June 30, 1920, and the matters having been given due consideration by the Commission, the Commission hereby finds as a fact that the request of petitioners is not justified. Basing its order on the foregoing matters of fact;

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It is hereby ordered, that the petition of the United Railroads of San Francisco be and the same is hereby dismissed.

Dated at San Francisco, California, this second day of August, 1920.

DECISION No. 7951.

IN THE MATTER OF THE APPLICATION OF RIVERBEND GAS AND WATER COMPANY FOR AN ORDER AUTHORIZING AN INCREASE IN GAS RATES.

Application No. 3552.

(Third Supplemental Application.)

Decided August 2, 1920.

BY THE COMMISSION.

SUPPLEMENTAL ORDER.

Whereas, this Commission in its Decision No. 7745, dated June 21, 1920, in the above entitled proceeding authorized Riverbend Gas and Water Company to charge certain increased rates for gas service; and

Whereas, it was provided therein as follows:

Provided, further, that the above rates shall not be effective in the town of Kingsburg until Riverbend Gas and Water Company shall have installed at that place adequate gas storage equipment and until this Commission shall have approved such installation and shall have by order authorized the above rates to be charged.

And whereas, the Railroad Commission has had an inspection made of the improvements to be made and the service conditions in Kingsburg and finds that same are satisfactory;

It is hereby ordered, that Riverbend Gas and Water Company be and the same is hereby authorized to charge and collect for gas service in the town of Kingsburg the rates heretofore set forth in Decision No. 7745, dated June 21, 1920, such rates to be effective for all meter readings taken on and after July 30, 1920.

Dated at San Francisco, California, this second day of August, 1920.

DECISION No. 7957.

IN THE MATTER OF THE APPLICATION OF PATTERSON AND WESTERN RAILROAD COMPANY TO ABANDON SERVICE.

Application No. 5639.

Decided August 4, 1920.

RAILROAD SERVICE—ABANDONMENT OF.—The Railroad Commission authorizes the abandonment of the line of railroad of applicant between Patterson and Jones station upon a showing that the small shipments of freight at present being made over such line in no way provide sufficient revenue to meet actual cost

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of operation and that continued operation would require the expenditure of considerable sums in improvements to put the road in a safe operating condition.

Edward Elliott, for Applicant.

Clarence M. Oddie, for H. Borchsenius and E. D. and E. W. Bullard, Protestants.

Lilienthal, McKinstry and Raymond, by *Albert Raymond*, for Red Mountain Magnesite Company, Protestant.

BY THE COMMISSION.

OPINION.

Patterson and Western Railroad Company, a corporation, has petitioned the Railroad Commission for an order authorizing the discontinuance of operation of its railroad line, alleging that the revenues received from operation are not sufficient to meet operating costs irrespective of any return on the valuation of the railroad property.

Public hearings on this application were conducted by Examiner Handford at San Francisco, the matter was duly submitted and is now ready for decision.

Patterson and Western Railroad Company operate a narrow gauge railroad from Patterson in a generally westerly direction to Jones Station, a distance of 23.6 miles. The entire capital stock of this company is owned by the Mineral Products Company, Ltd., and the line was originally constructed primarily as a plant facility to transport magnesite and other ores from mines owned by the Mineral Products Company, Ltd., adjacent to Jones Station to the manufacturing plant at Patterson and also for transfer at that point to the line of the Southern Pacific Company for eastern shipment. No regular passenger service has ever been performed by this company and the freight service has always been handled by extra trains, train operation being conducted whenever shipments were offered for movement. A limited amount of business has been offered by parties engaged in the development of mining properties in the vicinity of Jones Station, but the mining development of the Mineral Products Company, Ltd., has been suspended, it being testified that such properties contain no ore of commercial value and that no more shipments are to be made by the Mineral Products Company from their own mines, which are considered of no commercial value.

The following statement shows revenue and operating expenses covering the period April 1, 1917, to March 31, 1920:

	April 1 to Dec. 31, 1917	Year ending Dec. 31, 1918	Year ending Dec. 31, 1919	Jan. 1 to Mar. 31, 1920
Revenue	$14,360 06	$17,481 14	$10,010 79	$740 31
Operating expense	18,300 93	35,876 08	18,272 14	2,171 24
Deficit	$3,940 93	$18,394 64	$8,261 35	$1,430 90

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The above statement includes no interest on investment. The granting of this application was opposed by the Red Mountain Magnesite Company, E. D. and E. W. Bullard and H. Borchsenius, although Messrs. Bullard and Borchsenius have since the submission of this application filed a written withdrawal of their protest against the abandonment of service.

From the evidence in this proceeding on behalf of the granting of the application, it appears that the present condition of the railroad is such that material expenditures would be required to place the line in safe operating condition, that a considerable number of ties require renewal, bridges need rehabilitation and a considerable amount should be expended in ballasting and widening embankments.

Protestant Red Mountain Magnesite Company is engaged in the development of certain magnesite, chrome and manganese properties, and although some shipments have been made over the line of the Patterson and Western Railroad Company and consigned to the Mineral Products Company, Ltd., at Patterson for use in their manufacturing plant, the evidence in this proceeding does not indicate that a sufficient amount of such tonnage is available or will be available in the future to justify the continued operation of applicant's line of railway.

We are of the opinion and find as a fact that the operation of the Patterson and Western Railroad as a common carrier is not justified in that the revenue derived from operation is not sufficient to meet operating expenses, fixed charges and return any interest on the amount invested in such railroad.

We are of the opinion that the application should be granted.

ORDER.

Patterson and Western Railroad Company, a corporation, having applied to the Railroad Commission for an order authorizing it to discontinue and abandon the operation of a line of railroad extending from Patterson to Jones Station, public hearings having been held, the matter having been duly submitted and the Commission being fully advised, and basing its order on the finding of fact as set forth in the opinion preceding this order;

It is hereby ordered, that this application be and the same hereby is granted and that applicant be permitted to discontinue its operation as a common carrier and abandon its railroad after ten days' notice will have been given all shippers and receivers of freight by posting notice at all stations at which freight shipments have heretofore been received or delivered.

Dated at San Francisco, California, this fourth day of August, 1920.

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DECISION NO. 7958.

IN THE MATTER OF THE APPLICATION OF SAN FRANCISCO-OAKLAND TERMINAL RAILWAYS FOR AUTHORITY TO PLEDGE AS COLLATERAL SECURITY ITS GENERAL LIEN MORTGAGE BONDS.

Application No. 5991.

Decided August 5, 1920.

A. L. Whittle and *P. O. Solon*, by *P. O. Solon*, for Applicant.

MARTIN, *Commissioner*.

OPINION.

San Francisco–Oakland Terminal Railways asks authority to issue and pledge $14,000 face value of its general lien mortgage bonds.

Applicant reports that on April 29, 1920, a judgment for the sum of $7,500 and costs was entered against it in the Superior Court of the State of California in and for the county of Alameda in an action brought by Harold Baxter Mead and Audrey Guelph Mead, his wife, plaintiffs, to recover damages for personal injuries; that good ground exists for the reversal of the judgment on appeal and that it desires to appeal from said judgment to the Supreme Court of the State of California. Applicant further reports that to provide for a stay of execution on the judgment, it will be necessary for it to file an undertaking on an appeal and stay bond in the sum of $15,700.

The record shows that the Massachusetts Bonding and Insurance Company has expressed a willingness to act as surety on the undertaking on appeal and stay bond, provided that applicant deposit with the Massachusetts Bonding and Insurance Company its certified check for the sum of $8,000. To enable it to deposit this check, applicant intends to borrow from the First National Bank of Oakland $8,000, to be represented by a 6 per cent demand note, and secure the payment of such demand note by the deposit of $14,000 face value of its general lien mortgage bonds.

In Decision No. 1604, dated June 23, 1914 (Vol. 4, Opinions and Orders of the Railroad Commission of California, p. 1290), the Commission authorized San Francisco–Oakland Terminal Railways to issue $1,000,000 of general lien mortgage bonds as collateral security for an issue of notes in the sum of $650,000. The testimony of F. W. Frost, secretary of the San Francisco-Oakland Terminal Railways, shows that $257,000 of the $1,000,000 of bonds are now in the hands of the treasurer of the company.

The testimony shows that the general lien mortgage bonds which applicant desires to pledge will be deposited under a collateral pledge agreement, marked Exhibit "B," which provides that only in the event that San Francisco–Oakland Terminal Railways shall fail to pay

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the note which it intends to issue, and only after the bank shall have exercised its banker's lien on money on deposit to the credit of San Francisco–Oakland Terminal Railways, shall the general lien mortgage bonds be offered for sale, and upon the payment of the note, together with interest, the bonds herein authorized to be pledged as collateral will be returned to applicant.

Under the circumstances set forth in the petition herein and as explained at the hearing, I recommend that this application be granted and herewith submit the following form of order:

ORDER.

San Francisco–Oakland Terminal Railways having applied to the Railroad Commission for authority to issue and pledge $14,000 face value of its general lien mortgage bonds for the purposes set forth in the foregoing opinion, a public hearing having been held and the Railroad Commission being of the opinion that this application, subject to the conditions herein contained, should be granted;

It is hereby ordered, that San Francisco–Oakland Terminal Railways be and it is hereby granted authority to pledge $14,000 face value of its general lien mortgage bonds with the First National Bank of Oakland as collateral security for the payment of a 6 per cent note, the proceeds of said note to be used in securing an $8,000 certified check to be deposited with the Massachusetts Bonding and Insurance Company, which has agreed to act as surety on an undertaking on an appeal and stay bond in a case entitled Harold Baxter Mead and Audrey Guelph Mead, his wife, plaintiffs, vs. San Francisco–Oakland Terminal Railways, a corporation, defendant.

The authority herein granted is subject to the following conditions:

1. The bonds herein authorized to be issued and pledged shall be pledged under an agreement substantially in the same form as the agreement filed in this proceeding and marked Exhibit "B."

2. Upon the return to applicant of the bonds herein authorized to be issued and pledged, they shall be issued only upon further order from this Commission.

3. Applicant shall file with the Railroad Commission, within ten days after its execution, a copy of each and every agreement under which any of the bonds herein authorized to be pledged are deposited.

4. San Francisco–Oakland Terminal Railways shall keep separate, true and accurate account relative to the pledging of the bonds herein authorized, and on or before the twenty-fifth day of each month the company shall make verified reports to the Commission relative to the pledging of said bonds, in accordance with the Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

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5. The authority herein granted will apply only to such bonds as shall have been pledged on or before September 15, 1920.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this fifth day of August, 1920.

DECISION NO. 7965.

IN THE MATTER OF THE APPLICATION OF FRESNO CITY WATER COMPANY, A CORPORATION, TO SELL, AND FRESNO CITY WATER CORPORATION, A CORPORATION, TO PURCHASE THE ENTIRE DOMESTIC WATER SYSTEM AND ASSETS OF FRESNO CITY WATER COMPANY.

Application No. 5208.

IN THE MATTER OF THE APPLICATION OF FRESNO CITY WATER CORPORATION FOR AN ORDER AUTHORIZING THE ISSUE OF BONDS.

Application No. 5209.

Decided August 5, 1920.

BY THE COMMISSION.

SECOND SUPPLEMENTAL ORDER.

Whereas, the Railroad Commission by Decision No. 7107, dated February 10, 1920, as amended, authorized Fresno City Water Corporation to issue and sell at not less than 92½ per cent of their face value plus accrued interest $250,000 of its 6 per cent 40-year bonds and use the proceeds from the sale of $50,000 of said bonds to pay indebtedness and the proceeds from the sale of $200,000 of said bonds to pay the cost of constructing additions and betterments, including among other things, a new office building, all as more particularly set forth in Exhibit "3"; and

Whereas, applicant reports that it is not able to obtain at this time more than 83 per cent of their face value plus accrued interest for its bonds and that it is necessary for it to sell part of the bonds to obtain moneys to pay indebtedness and to pay for necessary additions and betterments, other than the construction of the office building, and it appearing to the Railroad Commission that the order in Decision No. 7107, dated February 10, 1920, as amended, should be modified so as to permit Fresno City Water Corporation to sell its bonds referred to in said Decision No. 7107, dated February 10, 1920, as amended, at not less than 83 per cent of their face value plus accrued interest, and use the proceeds for the purposes indicated in the order in said Decision No. 7107, dated February 10, 1920, as amended, or

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for such other purposes as may be hereafter authorized by the Commission; now, therefore,

It is hereby ordered, that Condition "1" of the order in Decision No. 7107, dated February 10, 1920, reading:

The bonds herein authorized shall be sold by Fresno City Water Corporation at not less than 92½ per cent of their face value plus accrued interest,

be, and it is hereby, modified so as to read:

The bonds herein authorized shall be sold by Fresno City Water Corporation at not less than 83 per cent of their face value plus accrued interest.

It is hereby further ordered, that the order in Decision No. 7107, dated February 10, 1920, as amended, shall remain in full force and effect except as modified by this second supplemental order.

Dated at San Francisco, California, this fifth day of August, 1920.

DECISION NO. 7967.

IN THE MATTER OF THE APPLICATION OF COAST VALLEYS GAS AND ELECTRIC COMPANY FOR AN ORDER INCREASING ITS ELECTRIC RATES.

Application No. 5703.

Decided August 10, 1920.

SERVICE INTERRUPTIONS—LOSS IN SALES THROUGH.—The claims of an electric utility for additional revenue to offset losses due to nonsale of energy caused by interruptions to service will not be considered in that the public itself has already suffered losses through service interruptions and low voltage conditions which were caused by the inadequacy of the utility's own facilities.

Applicant directed to submit plans for improvements to its electric system with a view to relieving in so far as possible the overloaded condition of its distributing system. No revision made in lighting rates and temporary surcharge for power service increased from 20 per cent to 35 per cent, effective for meter readings made on and after August 13, 1920.

James F. Pollard, for Applicant.

J. H. Andresen, for city of Salinas.

J. Sherman Woolf, for city of Monterey.

H. G. Jorgensen, for city of Pacific Grove.

Hugh R. Osborne, for city of King City and Chamber of Commerce of Southern Monterey County and certain farmers, consumers.

MARTIN, *Commissioner*.

OPINION.

Coast Valleys Gas and Electric Company herein applies for authority of the Commission to increase its rates for electric service supplied to its consumers in the cities of Salinas, Monterey, Pacific Grove, King City and in Monterey County.

In support of its petition applicant alleges that the rates now in effect were fixed by the Commission based upon the cost of power from the Sierra and San Francisco Power Company as decided by the Commission in Decision No. 5867, dated October 22, 1918; that any further increase in cost of power which may be granted to the Pacific Gas

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and Electric Company, lessee of Sierra and San Francisco Power Company, in connection with Application No. 5567, will result in an increased cost of operation on applicant's system, and, in consequence of this possible increase and other increases in cost of operation, applicant requests an increase in its own rates.

Coast Valleys Gas and Electric Company obtains the larger portion of its electric power from Pacific Gas and Electric Company, lessee of the former Sierra and San Francisco Power Company system, at its substation at Salinas. It also operates a steam plant, part of the cost of which operation is paid directly by the Coast Valleys Company. Energy is distributed in the cities of Monterey, Pacific Grove, King City and a number of smaller communities and in the Salinas Valley and Monterey County.

This Commission in its Decision No. 6193, dated March 12, 1919, authorized an increase in rates on applicant's system in the form of a surcharge to be added to the bills based upon the regular schedules. This increase was granted to cover the increased operating costs of applicant which had occurred up to that time.

Applicant presented in evidence in this proceeding detailed statements of its electric operations during the past two years which are summarized in the following table. No exact estimate was submitted by applicant as to the operating conditions for the year 1920 as at the time of the hearing in this proceeding the increase in rates which it expected might be charged it by Pacific Gas and Electric Company had not been determined by the Commission.

COAST VALLEYS GAS AND ELECTRIC COMPANY.

Operating Statement, Electric Department.

	Year ending April 30, 1919	Year ending April 30, 1920
Average fixed capital installed	$957,966 45	$1,040,726 14
Material and supplies and working cash capital	65,691 35	112,292 17
Total capital	$1,023,657 80	$1,153,018 31
Gross electric revenue	$226,114 17	$391,076 71
Operating expenses and taxes	$165,509 87	$274,222 37
Depreciation	16,024 86	17,409 28
Net for return	$44,579 44	$99,445 06
Rate of return on rate base	4.35%	8.62%

The year ending April 30, 1919, included several months during which Coast Valleys Gas and Electric Company paid a surcharge to Sierra and San Francisco Power Company on purchased energy but

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received no surcharge from its own consumers, and, while the higher return the following year reflects the surcharge on applicant's system, which became effective March 20, 1920, it is also partly due to the growth of applicant's business.

The Commission in its Decision No. 7823 in Application No. 5567 authorized Pacific Gas and Electric Company to increase the rate charged to Coast Valleys Gas and Electric Company by a 15 per cent surcharge effective for all meter readings taken on and after July 10, 1920, to and including April 10, 1921.

The cost of power to applicant for the nine months—July, 1919, to March, 1920, inclusive—was the sum of $126,365.62. The 15 per cent surcharge applied to this bill represents a total of $18,954.84 increase in charge. Applicant's sales have increased in excess of those existing during the period above referred to, so that the increased cost due to the present surcharge of 15 per cent upon the bills of Pacific Gas and Electric Company will result in a greater increase in applicant's costs. To offset this further increase, however, applicant's revenue, due to increase in its sales, will be proportionately greater.

Applicant directed attention to the fact that due to service troubles which interfered with the use of power by its consumers an estimated reduction of approximately $10,000 in its revenue would result. Aside from any consideration of the justice or injustice of requiring that consumers already burdened with losses through interruptions to service and low voltage conditions compensate the utility for losses occasioned by the inadequacy of its own facilities, it does not seem that the figures of kilowatt hours actually sold support the theory of any such losses in revenue, and this subject may be dismissed without further consideration.

At the hearing held in Salinas applicant's consumers introduced extensive evidence showing that the electric service supplied by applicant was far from satisfactory, especially in the upper Salinas Valley, where energy is largely used for irrigation purposes, and for general service in the city of King City. Applicant admitted that the service was not what it should be, alleging, however, that the power delivery to it by Pacific Gas and Electric Company was not up to the standards required by the contract, and that this in turn resulted in detrimental service to its consumers.

The Commission has realized that the service of Coast Valleys Gas and Electric Company has not been standard for some time and did, in the last decision increasing applicant's rates, direct applicant to install certain equipment to improve service conditions and has from time to time taken the matter up with applicant and former Sierra and San Francisco Power Company. However, applicant has not, due

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to financial reasons, been able to install all of the improvements required.

An analysis of the records in this proceeding shows that applicant's service is below standard due to numerous interruptions to service and conditions of low voltage. The interruptions to service, which have been quite numerous, are partly caused by the transmission line of the former Sierra and San Francisco Power Company between Port Marion and Salinas and to interruptions upon the transmission system of applicant from Salinas to the Salinas Valley. Upon the taking over of the Sierra and San Francisco Power Company's system by Pacific Gas and Electric Company construction work on an additional circuit was commenced and is now somewhat over half completed. With the completion of this additional line and the additional transmission line from near Salinas to Soledad under construction by Coast Valleys Gas and Electric Company a material improvement in both voltage conditions and a reduction in the number of interruptions to service should result.

It appears that the low voltage conditions existing are not due entirely to inadequacy of the transmission system of either Sierra and San Francisco Power Company or Coast Valleys but are in part due to overloaded distribution equipment on the latter system. The growth of load on applicant's system has been rapid and applicant has attempted to serve a considerably greater load than its existing system was adequately designed for, and it will be necessary within the next six or eight months for Coast Valleys Company to expend considerable sums of money in improving service conditions before the heavy irrigation season commences in 1921, and also commence upon a definite plan for enlargement of circuits and changing of its plan of distribution in order to meet the requirements.

Investigation by the Commission's staff shows that the company's system is not sufficient to take care of the existing load or any additional service in the main Salinas Valley without material improvements. The improvements in transmission facilities which are now being carried on should materially benefit the situation and I believe that improvements so made will make possible fairly adequate service from the transmission system during the coming year or two. Applicant must expend considerable sums in plant additions to improve its service without a resultant increase in revenue, and this must be considered in this proceeding.

I believe applicant is at this time appreciative of the needs of its consumers and is attempting as best it can to render to its consumers a first-class quality of service. It has had financial difficulties in meeting the requirements but it is apparently doing everything in its

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power to improve service conditions so that there will not be a recurrence of the conditions which have existed during the past few months. Applicant should submit to the Commission's engineers a complete and adequate plan for improvement of its electric service conditions for their approval. It is also necessary that it expend material sums in the strengthening of its system for service improvement even to the possible curtailment of the taking on of new business.

In Decision No. 6193, dated March 22, 1919, in which the present surcharges were authorized on applicant's system, the lighting rates were increased 1½ cents per kilowatt hour while the power rates were increased 20 per cent of the bills. It appears at this time that the lighting rates should not be further increased. The larger part of the increased cost is directed to a portion of the energy. An increase in the surcharge on power service from 20 to 35 per cent at this time will result in an increase in revenue of approximately $22,000 during the nine months that the increase in rates for purchased power is now authorized, sufficient to reimburse applicant for the increased cost of operation resulting from increased cost of power.

I recommend the following form of order:

ORDER.

Coast Valleys Gas and Electric Company having applied to the Railroad Commission for authority to increase its rates and charges for electricity, public hearing having been held, the matter being submitted and now ready for decision:

The Railroad Commission hereby finds as a fact that the rates of Coast Valleys Gas and Electric Company for electric power should be increased by the increasing of the present surcharge from 20 to 35 per cent and that the present schedules for power increased by a surcharge of 35 per cent are hereby found to be just and reasonable.

Basing its order on the foregoing findings of fact and the findings of fact set forth in the opinion preceding this order;

It is hereby ordered, that Coast Valleys Gas and Electric Company be and the same is hereby authorized to increase the temporary surcharge heretofore authorized from 20 per cent to 35 per cent, the 35 per cent to be added to all bills for electric energy sold for power purposes, based upon the regular filed schedules Nos. P-1, P-2, P-3, P-4 and P-5 and special contracts for power service, effective for all regular meter readings taken on and after the 13th day of August, 1920, and continue to charge and collect the surcharge heretofore authorized in Decision No. 6193, *supra*, on bills for electric energy sold for all purposes other than power.

It is hereby further ordered, that Coast Valleys Gas and Electric Company shall, on or before September 30, 1920, submit to the

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Commission's engineering department complete plans for improvement of service on its system.

It is hereby further ordered, that Coast Valleys Gas and Electric Company shall enlarge its distribution system as shall be recommended by the Commission's engineering department after further investigation of its system.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this tenth day of August, 1920.

DECISION No. 7968.

IN THE MATTER OF THE APPLICATION OF A. SORENSEN AND COMPANY, AN ELECTRIC UTILITY, FOR AN ORDER AUTHORIZING AN INCREASE IN ELECTRIC RATES.

Application No. 5932.

Decided August 10, 1920.

A. Sorensen, for Applicant.

MARTIN, *Commissioner.*

OPINION.

A. Sorensen and Company, applicant herein, operating a small electric distribution system in the city of Oakland, Alameda County, and serving approximately 100 residences with electricity for lighting and domestic service, requests the Commission to authorize it to increase its rates for service from the present rates, which are as follows:

First	20 kilowatt hours per meter per month	6 cents per kilowatt hour
All over	20 kilowatt hours per meter per month	3 cents per kilowatt hour
Minimum charge, $1 per meter per month		

to the following rates:

First	30 kilowatt hours per meter per month	8 cents per kilowatt hour
All over	30 kilowatt hours per meter per month	3 cents per kilowatt hour
Minimum charge, $1 per meter per month.		

Applicant purchases its electric power from Great Western Power Company at the regular schedules in effect on that system, using part of the power for the operation of the pumping plant and the remainder for distribution to consumers. Applicant's revenue from electric service during 1919 was $1,440 and its operating expenses approximately $1,270, leaving a net of $170 to cover interest and depreciation upon an investment of slightly in excess of $2,000.

The Commission in its decision in Application No. 5585, Decision No. 7824, dated June 30, 1920, authorized a modification in the electric

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power schedules of Great Western Power Company and an additional increase of 15 per cent to be added as a surcharge upon those schedules. The result of this increase as authorized, when applied to the service delivered to the applicant herein, is to increase its operating expenses by approximately $50 per month, of which $40 is chargeable to the electric service. An investigation of the Commission's engineers shows that this increase will result in applicant's business being operated at a loss unless further increase in rates is granted.

The basic rates for electric service charged by Pacific Gas and Electric Company and Great Western Power Company in adjacent territory are approximately the same as those applied for in this proceeding, but the rates are subject to an additional 15 per cent surcharge effective until April, 1921.

The increase in rates herein applied for will not result in an unreasonable return to applicant nor in rates as great as those charged in the same district by the larger utilities.

I recommend the following form of order:

ORDER.

A. Sorensen and Company having applied to this Commission for authority to increase electric rates, hearing having been held and the matter being submitted and now ready for decision:

The Railroad Commission hereby finds as a fact that the rates for electric service heretofore charged by applicant are unjust and unreasonable and that the rates hereinafter set forth are just and reasonable rates to be charged.

Basing its order on the foregoing finding of fact and on the findings of fact contained in the opinion which precedes this order;

It is hereby ordered, that A. Sorenson and Company be and it is hereby authorized to charge and collect for electric service rendered, based upon regular meter readings taken on and after the fifteenth day of August, 1920, the following rates:

Residence and domestic service.

First 30 kilowatt hours per meter per month--- 8 cents per kilowatt hour
All over 30 kilowatt hours per meter per month--- 3 cents per kilowatt hour
Minimum charge, $1 per meter per month.

It is hereby further ordered, that A. Sorensen and Company shall file the above schedule, in accordance with the regular practice of the Commission, on or before August 15, 1920.

The foregoing opinion and order are hereby proved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this tenth of August, 1920.

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DECISION NO. 7975.

IN THE MATTER OF THE APPLICATION OF BAKERSFIELD AND LOS ANGELES FAST FREIGHT COMPANY TO ISSUE STOCK AND ASSUME THE PAYMENT OF INDEBTEDNESS.

Application No. 5871.

Decided August 10, 1920.

George Clark, for Applicant.

BY THE COMMISSION.

ORDER.

Bakersfield and Los Angeles Fast Freight Company having applied to the Railroad Commission for permission to issue $5,000 of its common capital stock to George M. Duntley, M. R. Bright and Earl Smith in payment for property consisting of two five-ton Pierce-Arrow trucks, two extra bodies, two sets shock absorbers, three covers, four signs, together with other materials, supplies, tools, furniture and equipment, and to assume the payment of the balance due on the two trucks, and applicant having filed a statement showing that $5,210.29 of cash has been invested in the property which it desires to acquire and that the indebtedness which it asks permission to assume amounts to $10,211, and it appearing to the Railroad Commission that this is not a matter on which a public hearing is necessary and that applicant's request should be granted; now, therefore,

It is hereby ordered, that Bakersfield and Los Angeles Fast Freight Company be and it is hereby authorized to issue and sell on or before December 31, 1920, at not less than par, $5,000 of its common capital stock to George M. Duntley, M. R. Bright and Earl Smith, and to assume the payment of the $10,211 indebtedness, to acquire the properties set forth in the petition herein and in the statement filed with the Commission on July 28, 1920.

The authority herein granted is subject to the following conditions:

1. Bakersfield and Los Angeles Fast Freight Company shall keep such record of the issue and sale of the stock herein authorized and of the disposition of the proceeds and the payment of the indebtedness as will enable it to file on or before the twenty-fifth day of each month a verified report as required by the Railroad Commission's General Order No. 24, which order in so far as applicable, is made a part of this order.

2. The authority herein granted will not become effective until applicant has paid the fee prescribed by chapter 213, Statutes of 1917, and the Public Utilties Act.

Dated at San Francisco, California, this tenth day of August, 1920.

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DECISION NO. 7976.

IN THE MATTER OF THE APPLICATION OF FRANK PELLISSIER AND EDWIN S. MOORE, FOR AUTHORITY TO INCREASE RATES FOR TELEPHONE SERVICE.

Application No. 5838.

Decided August 10, 1920.

BY THE COMMISSION.

ORDER.

The Railroad Commission having on February 25, 1918, issued its Decision No. 5157, granting a certificate of public convenience and necessity to Frank Pellissier and E. S. Moore to conduct and operate telephone lines in certain portions of Mono and Inyo counties, and to publish, file and place in effect certain rates; and said Frank Pellissier and E. S. Moore for good cause having been unable to complete the construction of said telephone lines, and application, as entitled hereinabove, having been subsequently filed with this Commission asking for authority to publish, file and place in effect rates differing from the rates heretofore authorized in said Decision No. 5157, to wit:

For subscribers located not in excess of eight (8) miles from the town of Bishop, a rate of $2.75 per month.

For subscribers located beyond eight (8) miles and not exceeding fifteen (15) miles from the town of Bishop, a rate of $3.25 per month;

and it appearing to this Commission that this is not a case in which a public hearing is necessary and that this application should be granted;

It is hereby ordered, that the application herein be and it is hereby granted, provided that the authority herein granted shall apply only to such rates as may be published, filed and made effective on or before September 30, 1920.

Dated at San Francisco, California, this tenth day of August, 1920.

DECISION NO. 7978.

IN THE MATTER OF THE APPLICATION OF PACIFIC GAS AND ELECTRIC COMPANY, A CORPORATION, FOR AN ORDER OF THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA AUTHORIZING APPLICANT TO INCREASE ITS RATES AND CHARGES FOR ELECTRIC ENERGY.

Application No. 5567.

Decided August 10, 1920.

BY THE COMMISSION.

SECOND SUPPLEMENTAL ORDER.

The Railroad Commission of the State of California finding after further consideration of the evidence in this proceeding and for good

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cause that the rate for electric cooking service heretofore fixed by Decision No. 7823 in Application No. 5567 should be modified as hereinafter set forth, and that the rate herein set forth is just and reasonable;

It is hereby ordered, that schedule No. C-1 as set forth in Decision No. 7823 be and the same is hereby modified to read as follows:

Schedule C-1.

Cancels former Pacific Gas and Electric Company's schedules Nos. 146, 152, 160, 191, in so far as they apply to this class of service.

DOMESTIC COOKING AND HEATING SERVICE AND COMBINATION DOMESTIC SERVICE.

Applicable to domestic heating and cooking service and to domestic combination lighting, heating and cooking service.

Territory.

Applicable to entire territory formerly served by Pacific Gas and Electric Company.

Rate.

a. Heating and cooking service.

First	180 kilowatt hours per meter per month	3.5 cents per kilowatt hour
All over	180 kilowatt hours per meter per month	2 cents per kilowatt hour

b. Combination lighting, cooking and heating service. (Applicable only to residences, flats and apartments of eight rooms or less.)

First	30 kilowatt hours per meter per month	* per kilowatt hour
Next	150 kilowatt hours per meter per month	3.5 cents per kilowatt hour
All over	180 kilowatt hours per meter per month	2 cents per kilowatt hour

*Top block of residence lighting rate applicable.

Minimum charge.

Seventy-five cents per kilowatt of active connected load per month, but not less than $3 per month.

Special conditions.

1. This schedule applies only where consumers have installed and use cooking and heating appliances other than lamp socket devices of at least 2 kilowatts capacity.

2. Bathrooms, halls and cellars are not classified as active rooms.

3. The active connected cooking, heating and power load shall be taken as 100 per cent of the first 2 kilowatts installed and 50 per cent of the connected load installed in excess of 2 kilowatts, computed to the nearest one-tenth of a kilowatt, but is never to be taken as less than 2 kilowatts. Motors and instantaneous water heaters will be rated as 100 per cent active connected load. Motors aggregating not more than 5 horsepower, and not in excess of the total connected load of heating and cooking appliances, may be included on this rate and will be rated at 1 kilowatt for each horsepower of output rating. Where the connected load is so arranged that all of it can not be connected at one time, only the maximum load that can be connected will be used as a basis for the active load. All equipment will be assumed as operating at 100 per cent power factor.

4. Combination service is not rendered for residences of over eight rooms.

The above schedule of rates shall be applicable to the service as set forth based upon all regular meter readings taken on and after July 10, 1920.

Dated at San Francisco, California, this tenth day of August, 1920.

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DECISION NO. 7979.

IN THE MATTER OF THE APPLICATION OF GREAT WESTERN POWER COMPANY OF CALIFORNIA FOR AN ORDER AUTHORIZING INCREASE IN RATES.

Application No. 5585.

Decided August 10, 1920.

BY THE COMMISSION.

SECOND SUPPLEMENTAL ORDER.

The Railroad Commission of the State of California finding after further consideration of the evidence in this proceeding and for good cause that the rate for electric cooking service heretofore fixed by Decision No. 7824 in Application No. 5585 should be modified as hereinafter set forth, and that the rate herein set forth is just and reasonable;

It is hereby ordered, that Schedule No. C-1, as set forth in Decision No. 7824, be and the same is hereby modified to read as follows:

Schedule C-1.

Cancels Great Western Power Company's former schedules Nos. 301 and 302.

DOMESTIC COOKING AND HEATING SERVICE AND COMBINATION DOMESTIC SERVICE.

Applicable to domestic heating and cooking service and to domestic combination lighting, heating and cooking service.

Territory.

Applicable to entire Great Western Power Company's system.

Rate.

a. Heating and cooking service.

First	180 kilowatt hours per meter per month	3.5 cents per kilowatt hour
All over	180 kilowatt hours per meter per month	2 cents per kilowatt hour

b. Combination lighting, cooking and heating service. (Applicable only to residences, flats and apartments of eight or less rooms.)

First	30 kilowatt hours per meter per month	* per kilowatt hour
Next	150 kilowatt hours per meter per month	3.5 cents per kilowatt hour
All over	180 kilowatt hours per meter per month	2 cents per kilowatt hour

*Top block of residence lighting rate applicable.

Minimum charge.

Seventy-five cents per kilowatt of active connected load per month but not less than $3 per month.

Special conditions.

1. This schedule applies only where consumers have installed and use cooking and heating appliances other than lamp socket devices of at least 2 kilowatts capacity.
2. Bathrooms, halls and cellars are not classified as active rooms.
3. The active connected cooking and heating load shall be taken as 100 per cent of the first 2 kilowatts installed and 50 per cent of the connected load installed in excess of 2 kilowatts computed to the nearest one-tenth of a kilowatt but is never to be taken as less than 2 kilowatts. Instantaneous water heaters will be rated as 100 per cent active connected load. Where the connected load is so arranged that all of it can not be connected at one time, only the maximum load that can be connected will be used as a basis for the active load.
4. Combination service is not rendered for residences of over eight rooms.

The above schedule of rates shall be applicable to the service as set forth, based upon all regular meter readings taken on and after July 10, 1920.

Dated at San Francisco, California, this tenth day of August, 1920.

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DECISION No. 7982.

C. A. SMITH LUMBER COMPANY

vs.

SOUTHERN PACIFIC COMPANY.

Case No. 328.

THE PACIFIC LUMBER COMPANY, THE CHARLES NELSON LUMBER COMPANY, E. K. WOOD LUMBER COMPANY, C. A. SMITH LUMBER COMPANY

vs.

SOUTHERN PACIFIC COMPANY.

Case No. 335.

C. A. SMITH LUMBER COMPANY, THE CHARLES NELSON LUMBER COMPANY, E. K. WOOD LUMBER COMPANY, THE PACIFIC LUMBER COMPANY

vs.

SOUTHERN PACIFIC COMPANY.

Case No. 338.

C. A. SMITH LUMBER COMPANY, THE CHARLES NELSON LUMBER COMPANY, E. K. WOOD LUMBER COMPANY

vs.

SOUTHERN PACIFIC COMPANY.

Case No. 339.

C. A. SMITH LUMBER COMPANY

vs.

SOUTHERN PACIFIC COMPANY, THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY, NORTHWESTERN PACIFIC RAILROAD COMPANY.

Case No. 341.

Decided August 12, 1920.

REPARATION—LONG AND SHORT HAUL VIOLATIONS—JUSTIFICATION FOR.—The maintenance of a higher rate in one direction than that charged on the same commodity in the opposite direction is not an uncommon practice nor can it be considered as unreasonable or discriminatory when the lower rate is required to meet water competition. Claims for reparation denied where no violation of the long and short haul clause has been shown to exist and complainants are unable to establish that that rate charged was unreasonable or discriminatory.

Complainants held to be entitled to reparation refunds on such of the long and short haul violations as were shown to have existed, the exact amount thereof to be determined by litigants through check of shipments made during period covered by complaint.

F. T. Westfall, for Complainants.

Frank P. Austin, for Defendant.

LOVELAND, *Commissioner.*

OPINION.

The complaints in these cases were filed in the months of October, November and December, 1912, and were postponed from time to time upon requests of both complainants and defendants until after the commencement of the war, when, because of acts of Congress and

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proclamation of the President, the jurisdiction of this Commission in the matter was suspended. For these reasons the proceedings were not terminated until the final briefs were filed in June, 1920.

Reparation is sought on three grounds: violation of the long and short haul clause of the state constitution, unreasonableness of the rates charged, and discriminatory rates.

The cases were consolidated and heard at the same time and single briefs prepared covering all cases. They will, therefore, be disposed of in one opinion and order.

The controlling features in each case, in their chronological order, follow:

Case No. 328.

This complaint involves carload shipments of lumber moving February, 1910, to July, 1912, from Bay Point to Sacramento, Homestead and Folsom, California. The rates charged by the defendant were:

Bay Point to Sacramento, $2 per ton.
Homestead, $2 per ton, plus $1.50 per car.
Folsom, $3 per ton.

The Sacramento rate was specifically published in Lumber Tariff No. 634 (C. R. C. 699). Homestead takes switching charge of $1.50 per car over Sacramento, in accordance with switching item in Terminal Tariff. Folsom rate, while published through, is nothing more nor less than a combination of locals on Sacramento.

Effective February 6, 1911 (Supplement 4 to Tariff 634, C. R. C. 699), rate of 75 cents per ton was published from Bay Point to Benicia, which had the effect of reducing through rates by 25 cents per ton, or $1.75 to Sacramento (with additional charge of $1.50 per car on shipments destined Homestead) and $2.75 to Folsom by combination on Sacramento. Charges were accordingly reduced by claim medium as to shipments moving on and after February 6, 1911.

Complainant contends that charges assessed were unjust, unreasonable and discriminatory, and in violation of the long and short haul provision of the state constitution, to the extent that they exceeded rates contemporaneously in effect from San Francisco and Oakland to Sacramento $1.50 per ton (plus $1.50 per car to Homestead) and to Folsom of $2.50 per ton. These rates are based combination on Benicia, using rate of 50 cents per ton from San Francisco and Oakland to Benicia, as per item 9-A of Supplement No. 4 to Mail Dock or Benicia Commodity Tariff No. 291-C (C. R. C. 33), plus rate of $1 per ton from Benicia to Sacramento, item 11 of same tariff. The charges to Homestead and Folsom are based in the same manner, by combination on Sacramento. This tariff, 291-C, originally applied from

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and to points named only and, effective January 28, 1910, per Supplement No. 3, was amended to carry a further note—that the rates named therein must not be used as factors in making rates to or from other points.

Effective July 10, 1912, as per item 1–C, Supplement No. 5, the prohibition as to combination was removed. It is fair to assume rule preventing combination was not rigidly adhered to, as the defendant company admits in its answer to the complaint that the combination rates were available. The tariff was also in violation of the rules of this Commission's Supplemental No. 2 to Tariff Circular No. 1, effective November 21, 1910, which provides for the application of combination rates when lower than through published rates.

Case No. 335

This complaint alleges that subsequent to February 10, 1910, various carload shipments of lumber moved from Oakland, San Francisco and Bay Point to Wheatland, Arbuckle, Williams, Maxwell, Delevan, Willows, Orland, Corning, Live Oak, Chico and Marysville, on which charges were assessed at rates ranging from $3.50 to $4.50 per ton; that rate of $3.10 per ton was contemporaneously in effect from San Francisco, Oakland Wharf, Oakland and Richmond to Weed, nonintermediate in application; that the rates charged are unreasonable, unjust, discriminatory and in violation of the long and short haul provision of the state constitution and section 24 (*a*) of the Public Utilities Act.

The Commission is asked to declare $3.10 per ton a just and reasonable rate and to award reparation on basis of the difference between the rates charged and $3.10 per ton.

Case No. 338.

This complaint alleges that between May, 1910, and October, 1912, certain carloads of lumber were forwarded from San Francisco, Oakland, East Oakland and Bay Point to points specified, and charges paid thereon at rates shown:

To Galt and Dixon, $1.60 per ton.
To Elk Grove and Davis, $2 per ton;

and that such rates are unjust, unreasonable, discriminatory and in violation of the long and short haul provision of the state constitution and of the Public Utilities Act, in that they exceed rates contemporaneously maintained from San Francisco and Oakland to Sacramento of $1.50 per ton.

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Case No. 339.

Complainants here allege that between September, 1910, and June, 1912, certain carloads of lumber were forwarded to the points specified and charges paid thereon at the rates shown:

Oakland to Sunnyvale, $1.10 per ton.
East Oakland to Mountain View, $1.10 per ton.
Bay Point to Redwood, $1.45 per ton.
Oakland to Livermore, $1.40 per ton.
Oakland to Midway, $1.80 per ton.
Bay Point to Livermore, $1.60 per ton.
Bay Point to Remillard, $1.60 per ton.
Bay Point to Eliot, $1.60 per ton.

All of these rates are claimed to be unjust, unreasonable and discriminatory, also that the rates to Livermore, Midway, Remillard and Eliot are in violation of the long and short haul provisions of the state constitution. The rates alleged to be reasonable are as follows:

Oakland to Sunnyvale, 60 cents per ton.
East Oakland to Mountain View, 60 cents per ton.
Bay Point to Redwood, $1.20 per ton.
Oakland to Livermore, $1.20 per ton.
Oakland to Midway, $1.20 per ton.
Bay Point to Livermore, $1.20 per ton.
Bay Point to Remillard, $1.20 per ton.
Bay Point to Eliot, $1.20 per ton.

The claimed reasonable rates to Coast Division points—Sunnyvale, Mountain View and Redwood—are based on a rate of 60 cents, applying from San Francisco and Oakland to San Jose, which complainant contends should not be exceeded. The rates to Livermore-Eliot are based on the rates in effect from Oakland to Tracy of $1.20 per ton and from Bay Point to Niles of $1.20.

Case No. 341.

Complainant alleges that certain carloads of lumber were forwarded from Bay Point to points indicated subsequent to February 10, 1910, and charges paid thereon at the following rates:

Berkeley, Selby, Crockett, Martinez, Tormey, Oleum, Rodeo, Pinole, Nitro, Richmond, Stege, West Berkeley, Tillman, Paraffin, Emeryville, Oakland, Fruitvale, Melrose, Alameda, 65 cents per ton.
Hayward, San Leandro, $1.15 per ton.
Petaluma, San Anselmo, Santa Rosa, (*a*) $1.65 per ton.
(*a*) Joint movement via Southern Pacific Company, Atchison, Topeka and Santa Fe and Northwestern Pacific, combination of separately established locals.

That the rates to the first named points are unjust, unreasonable, discriminatory and in violation of the Public Utilities Act, in that they exceed the rate of 60 cents per ton in effect in the opposite direction, from Oakland to Bay Point, and that the other rates charged were

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excessive by 5 cents per ton, by reason of the claimed reasonableness of the rate of 60 cents per ton Oakland to Bay Point.

I shall first deal with Cases Nos. 339 and 341.

In Case No. 339, it is maintained that the rates from Oakland and East Oakland to Coast Division points of the Southern Pacific Company between San Francisco and San Jose should not be in excess of a rate of 60 cents per ton in effect from San Francisco to Coast Division points and that the rates from Bay Point to the same destinations should not be in excess of a combination based on this 60 cent rate. The rate on lumber of 60 cents per ton, upon which the claim for reparation is based, was made effective a great many years ago, when there was competition or threatened competition by water carriers between San Francisco and San Jose via Alviso.

According to the testimony of defendant's witnesses, this rate was not applied from Oakland via San Francisco for the reason that the same competitive conditions did not then and do not now exist at that point. There is here no violation of the long and short haul provision of the state constitution, the 60 cent rate being applicable only via specific routes and is not exceeded at the intermediate points.

With reference to the rates from Oakland to Livermore and Midway, where $1.40 and $1.80 per ton were charged and collected, it is alleged that the rate should have been $1.20 per ton, this being the rate in effect from Oakland to Tracy and Stockton, nonintermediate in application at the time these shipments moved; and that they are, therefore, in violation of the long and short haul provision of the state constitution.

It is further alleged that the rate from Bay Point to Livermore, Remillard and Eliot of $1.60 per ton should not have been in excess of $1.20 per ton, this being the rate from Bay Point to Niles.

The points involved are not intermediate between Bay Point and Niles either via the Port Costa-Oakland route or via Avon-Radum; there is no long and short haul violation. Neither were the rates *per se* shown to be excessive or unreasonable.

In Case No. 341, the charges are claimed to be unreasonable and discriminatory on the grounds that the rates of the Southern Pacific Company and The Atchison, Topeka and Santa Fe Railway Company are higher on northbound traffic from Bay Point to Oakland than are the rates in the opposite direction, from Oakland to Bay Point.

The Northwestern Pacific Railroad Company is made a defendant, for the reason that certain of the shipments referred to in the application were destined to points on that line. The rate under attack, of 65 cents per ton on lumber from Bay Point to Oakland, was established in the year 1909 and has continued in effect up to the present time, with

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the exception of the increase, effective June 25, 1918, in compliance with General Order No. 28 of Director-General McAdoo. There is here no violation of the long and short haul provision of the state constitution; the only point involved is as to whether or not the rate of 65 cents per ton was excessive and unreasonable upon the theory that it should not exceed a rate of 60 cents per ton maintained by the defendants in the opposite direction.

The testimony of defendants' witnesses was to the effect that the 60 cent rate was published to meet the competition of lumber moving from San Francisco to Pittsburg and Bay Point on barges and that there was not the same competition to be met in the movement in the opposite direction. It is not an uncommon practice for carriers to maintain lower rates in one direction than in the other and, as in this case, where the rates were forced down by water competition, the adjustment can not be considered as either unreasonable or discriminatory.

Complainant and defendants presented a number of exhibits applicable to both of these proceedings, dealing with the circumstances surrounding the transportation, history of the rates, their relationship to other rates, earnings per ton mile, per car mile, etc. All of these exhibits have been given careful consideration, but it will not be necessary to reproduce any of them or enter into an analysis.

The record is not compelling that the rates in issue in these two cases (Nos. 339 and 341), and which are not in violation of the long and short haul provisions of the constitution, were either unreasonable or discriminatory at the time they were charged. It therefore follows that the claim for reparation must be denied. It might here be added that owing to federal control, this Commission is without jurisdiction to make a complete readjustment of rates until September 1, 1920, therefore the volume of any rate for future application can not be considered on this record.

Consideration will now be given to the allegation that the charges collected against shipments included in Cases Nos. 328, 335, 338 and part of 339 are in violation of the long and short haul provisions of the constitution of this state, of the Wright Act, and of the Public Utilities Act.

Under date June 19, 1916, by Decisions Numbers 3436, 3437, 3440, and 3441, in Cases 214 (*a*) (*b*) (*c*) and (*f*), the Southern Pacific Company and The Atchison, Topeka and Santa Fe Railway Company were granted final authority to continue freight rates in violation of the long and short haul provisions of the state constitution and of section 24 of the Public Utilities Act. These decisions were in confirmation of the earlier formal orders made in the same proceedings under dates October 26, 1911, November 20, 1911, January 19, 1912, and February 15,

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1912, which orders this Commission believed to be in full compliance with the constitution as amended and of the different sections of the Wright Act, Chapter 312, Statutes of 1909, Stetson-Eshelman Act, Chapter 20, Statutes of 1911, and Public Utilities Act, Chapter 14, Statutes of 1911, extra session.

The question, however, of the payment of reparation for long and short haul violations prior to the date of this Commission's final action, unless the bar of the statute of limitation had fallen, is no longer a matter of doubt, following the decisions of our Supreme Court in the case of the *California Adjustment Company* vs. *Atchison, Topeka and Santa Fe Railway Company*, 179 Cal. 140, and by the decision of the Circuit Court of Appeals, *Southern Pacific Company* vs. *California Adjustment Company*, 237 Fed. 954. In these cases the courts held that under the constitution of 1879 the legitimate maximum charge for the short haul was the charge the carrier made for the longer haul and that it was only necessary to show proof that the shipper paid a larger sum for the short haul than the defendant would have charged for the longer one. In the cases before the courts carriers were required to pay the reparation claims.

It follows that these complainants are entitled to reparation refunds for the long and short haul violations involved in Cases Nos. 328, 335, 338 and 339 of the differences between the amounts paid at the rates charged and what would have been paid had the lower rates to the more distant points, which were in violation of the long and short haul provision of the state constitution, been applied.

The exact amount of the reparation due can not be determined upon this record and the complainants should prepare a statement showing as to each shipment upon which reparation is claimed, the date of shipment, point of origin and destination, car numbers and initials, weight, rate applied, charges collected, and the amount of reparation due under the findings herein, which statement should be submitted to defendants. If the amounts due can not be agreed to between the parties the Commission will issue a further order setting forth the exact sum to be paid.

ORDER.

Complaints and answers having been filed in the above entitled proceedings, a public hearing having been held, the Railroad Commission being fully apprised in the premises, and basing its order on the findings of fact which appear in the foregoing opinion;

It is hereby ordered, that the Southern Pacific Company is hereby authorized and directed to pay to complainants who made the shipments involved and who paid and bore the charges thereon, as their interests may appear, sums equal to the difference between the charges paid, with interest, and those that would have accrued at the rates in

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effect to more distant points on shipments made prior to June 19, 1916, provided such shipments were covered by claims presented to the Railroad Commission within the statutory period.

It is hereby further ordered, that if an agreement can not be reached as to the exact amount of reparation due, complete data be submitted to this Commission, when a supplemental order fixing the amount of reparation will be entered.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twelfth day of August, 1920.

Decision No. 7983.

IN THE MATTER OF THE APPLICATION OF STEAM AND ELECTRIC INTERURBAN RAILROADS AND BOAT LINE COMMON CARRIERS TO INCREASE FREIGHT AND PASSENGER RATES AND FARES.

Application No. 5728.

Decided August 17, 1920.

STEAM RAILROADS:

Amador Central Railroad.
Arcata and Mad River Railroad.
Atchison, Topeka and Santa Fe Railway Company.
Bay Point and Clayton Railroad Company.
California Central Railroad Company.
California, Shasta and Eastern Railway Company.
California Southern Company.
California Western Railroad and Navigation Company.
Cement, Tolenas and Tidewater Railroad Company.
Holton Interurban Railway Company.
Indian Valley Railroad Company.
Lake Tahoe Railway and Transportation Company.
Los Angeles and Salt Lake Railroad Company.
McCloud River Railroad.
Modesto and Empire Traction Company.
Nevada-California and Oregon Railway.
Nevada County Narrow Gauge Railroad Company.
Northwestern Pacific Railroad Company.
Pacific Coast Railway Company.
Pajaro Valley Consolidated Railroad Company.
Sacramento Valley and Eastern Railway.
San Diego and Arizona Railway Company.
Santa Maria Valley Railroad Company.
Sierra Railway of California.
Southern Pacific Company.
Stockton Terminal and Eastern Railroad Company.
Sunset Railway Company.
The Western Pacific Railroad Company.
Tonopah and Tidewater Railroad Company.
Trona Railway Company.
Ventura County Railway Company.
Yosemite Valley Railroad Company.

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ELECTRIC INTERURBAN LINES:
Central California Traction Company.
Fresno Traction Railway Company.
Pacific Electric Railway Company.
Peninsular Railway Company.
Petaluma and Santa Rosa Railroad Company.
Sacramento Northern Railroad.
San Francisco-Oakland Terminal Railways.
San Francisco-Sacramento Railroad.
San Ramon Valley Railroad.
Tidewater Southern Railway Company.
Visalia Electric Railroad Company.

BOAT LINES:
California Navigation and Improvement Company.
California Transportation Company.
Farmers Transportation Company.
Island Transportation Company.
Monticello Steamship Company.
N. Fay and Son.
Outer Harbor Dock and Wharf Company.
Pacific Steamship Company.
Sacramento Transportation Company.
Southern Pacific Company.
White Flyer Line (W. S. Scammell and Company, Incorporated, Agents).
Producers Transportation Company.

FREIGHT AND PASSENGER RATES. PERCENTAGE INCREASE TO ALL CARRIERS.—In determining the petition of all common carriers for percentage increase in rates it is held that state commissions are faced with two alternatives—either to proceed with a detailed investigation and consideration of all factors entering into the establishment of reasonable rates or to proceed in harmony with the Interstate Commerce Commission by establishing similar increases for intrastate rates so that such rates will bear their just proportion of the increases, with interstate rates, to which the carriers have been found to be entitled, otherwise interstate rates must be further increased to provide such additional revenue.

It is also held, as to carriers not directly affected by the Interstate Commerce Commission increase, that as they are in competition with carriers which will charge the increased rates, it is necessary that the relationship of rates between the carriers be maintained.

In view of the fact that a detailed consideration of increases asked for would require a period of many months to complete and that immediate relief is imperative, increases for intrastate rates similar to those established by the Interstate Commerce Commission, are authorized, such rates providing an increase of 25 per cent in freight rates, 20 per cent in passenger rates and a surcharge of 50 per cent on Pullman fares, to become effective August 26, 1920.

H. C. Booth and *Elmer Westlake*, for Southern Pacific Railroad Company and San Diego and Arizona Railroad Company.

E. W. Camp, for Atchison, Topeka and Santa Fe Railway Company.

Lester J. Hinsdale, for Western Pacific Railroad Company.

Frank Karr, for Pacific Electric Railway Company, Visalia Electric Railroad Company and Peninsular Railroad Company.

A. S. Halsted, for Los Angeles and Salt Lake Railroad Company.

H. C. Booth, *E. W. Camp*, *Lester J. Hinsdale*, *A. S. Halsted* and *Elmer Westlake*, for Northwestern Pacific Railroad and other carriers not responding separately.

Jesse H. Steinhart and *J. J. Goldberg*, for San Francisco and Sacramento Railroad Company.

F. P. Griffiths, for Pacific Steamship Company.

E. H. Maggard, for Petaluma and Santa Rosa Railroad Company.

Heller, Powers and Ehrman and *Charles R. Detrick*, for Sacramento Northern Railroad.

J. B. Holman, for Santa Maria Valley Railroad Company.

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Sanborn and Rochl, for California Navigation and Improvement Company, Sacramento Transportation Company, Farmers Transportation Company, California Western Railroad and Navigation Company, Nevada-California-Oregon Railroad, California Transportation Company, Island Transportation Company, N. Fay and Son, Bay Point and Clayton Railroad, Cement, Tolenas and Tidewater Railroad, and Monticello Steamship Company.

D. M. Seobe, for McCloud River Railroad.

Seth Mann, for San Francisco Chamber of Commerce.

F. M. Hill, for Fresno Traffic Association.

Allan P. Matthew, for Canners' League of California and the California White and Sugar Pine Manufacturers' Association.

James A. Keller, traffic manager for Pacific Portland Cement Company, Consolidated.

A. Larsson, for California Redwood Association.

R. T. Boyd, for Oakland Chamber of Commerce.

J. C. Sommers, for Stockton Chamber of Commerce.

Clarence M. Oddie, for American Short Line Railroad Association.

H. O. Temple, for Trona Railway.

Leon E. Gray, for city of Oakland.

John S. Willis, for Foreign Commerce Association of the Pacific Coast, California Bean Dealers Association, and Salt Producers Exchange of California.

J. A. Olson, for W. S. Scammell and Company.

Henry Riddiford, for Lumbermen's Exchange.

Fred P. Gregson, for Associated Jobbers of Los Angeles, Imperial Valley interests, Owens River interests and Blythe interests, and California Portland Cement Company.

I. W. Stewart and *A. B. Shaw, Jr.*, for Palo Verde Valley.

Andrews, Toland, Gregg and Andrews, by *A. B. Andrews*, for Outer Harbor Dock and Wharf Company.

Frank V. Cornish, for East Bay cities.

Jess E. Stephens, for city of Los Angeles.

George W. Sanborn, in propria persona.

O. T. Helpling, for Riverside Portland Cement Company.

L. R. Bishop, for Producers Transportation Company of Sacramento and Oakland Chamber of Commerce.

BY THE COMMISSION.

OPINION.

This is a joint application by practically all of the steam railroads, electric interurban railroads and boat lines operating in California.

The Commission is asked to authorize these carriers to increase freight and passenger rates and to assess a surcharge upon passengers occupying sleeping and parlor cars on all intrastate business to the same extent as authorized by the Interstate Commerce Commission in an order made on the twenty-ninth day of July, 1920.

At the hearings herein applicants introduced no evidence except the order of the Interstate Commerce Commission above mentioned, together with the applications made to that commission which resulted in such order.

Applicants took the position that evidence of value of property used in the service, gross and net income, etc., such as is usually introduced in a proceeding of this kind, was wholly irrelevant because the Inter-

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state Commerce Commission, acting under the act of Congress ordinarily designated the Esch-Cummins Act, had authorized an increase of rates for carriers under its jurisdiction and in determining the amount of such increases had included all revenue earned by these carriers on state as well as interstate business.

The Esch-Cummins Act provides among other things that the Interstate Commerce Commission shall fix rates for carriers under its jurisdiction in the following manner: Either treating the carriers of the United States as a whole, or as a whole in each of such rate groups or territories as the Commission may from time to time designate, to fix the value, using certain prescribed methods, of the property devoted to the service of the public and to so fix rates as to return to the owners of these properties 5½ per cent net earnings, or in the discretion of the Commission 5¾ per cent plus ¼ per cent, the additional ¼ per cent to be administered by the Commission under conditions laid down in the act.

The Interstate Commerce Commission divided the United States into four groups—Eastern, Southern, Western and Mountain Pacific. California is embraced within the Mountain Pacific group. It concluded that for the Mountain Pacific group 25 per cent increase of freight rates and 20 per cent increase of passenger rates was necessary in order that the carriers might enjoy the 6 per cent net earnings provided by the federal law.

The Railroad Commission of California is confronted with these alternatives—either it must proceed and take evidence as to valuation, revenues and expenses, competitive conditions, long and short haul violations and the various other factors to which consideration is given in reaching a conclusion as to the reasonableness of rates, and come to a conclusion based on the conditions in California alone, regardless of the effect the income produced by the rates thus fixed would have upon the action of the Interstate Commerce Commission, or it must proceed in harmony with the decision of the Interstate Commerce Commission and put into effect the assumption that state rates would be increased in harmony with its decision.

We have given this matter very careful consideration and in doing so have attempted to give weight to the probable consequences of proceeding upon either of these alternatives. We realize that without requiring more evidence than is now before us in this proceeding to impose on intrastate business the identical percentage authorized by the Interstate Commerce Commission would in effect be the fixing through us of state rates by the Interstate Commerce Commission. Whether or not this constitutionally may be done is a question we do not consider it our function to decide. On the other hand, to proceed in the usual

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manner as though this were entirely an independent proceeding would result in serious delay, as it is evident that to gather and submit adequate data upon which to base a sound judgment of what practically all transportation rates in California ought to be, would require many months and all possibility of immediate relief to the carriers, found to be imperative by the Interstate Commerce Commission, would disappear.

This, however, is not the most serious result of independent action by this state. If this Commission, under the circumstances that now confront us, fixes state rates regardless of the order of the Interstate Commerce Commission, and if such rate fixing resulted in a return to the railroads of the Mountain Pacific group less than 6 per cent authorized by the Interstate Commerce Commission, either the Interstate Commerce Commission must further burden interstate commerce with rates high enough to make up the deficit resulting from the California action or if legally possible the Interstate Commerce Commission would be compelled to overrule this Commission, or the Esch-Cummins Act would be a demonstrated failure.

It appeals to us that if each state in a given group insists upon wholly independent action and judgment, that the whole spirit and purpose of the Esch-Cummins Act is in danger of nullification.

That act in terms provides a scheme whereby individual railroads and particular states are expected, and no doubt will, produce more than a 6 per cent earning upon the rate base fixed by the Interstate Commerce Commission. This is clearly indicated in the act because it is provided that where a given railroad earns more than 6 per cent, the overplus is devoted to certain prescribed purposes.

There can be no doubt that in order to prevent the annihilation of some of the less profitable roads it was the purpose of Congress to authorize rates which, because of the necessity of maintaining a parity for all roads in a given competitive territory, would return the more profitable roads an unreasonable earning, and faced with the alternative of providing rates which would only make a reasonable earning for the profitable roads and which would destroy the others, Congress determined that rates would be so adjusted as to permit the weaker roads to exist and to continue to function, but at the same time deprive the more profitable roads of the result of overplus of earnings.

It is obvious that this plan can not work if each state or a given group insists upon a determination of its own as to what contribution should be made to the common group income.

It must be realized that the Interstate Commerce Commission, a national body entitled to the respect and confidence of the country, acting under the mandate of Congress, has proceeded impartially, using the best available information and the best judgment of its members in

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the determination reflected in the order referred to. It has evidently in good faith sought to carry out the mandate of Congress.

It is our deliberate judgment that it is the duty of this Commission to cooperate in every reasonable way to give the Esch-Cummins Act a fair trial and, rather than to attempt to impair the success of this legislation, to so act as to make it successful, not merely on the general proposition that all laws should have a fair test, but on the more definite situation that now confronts this country. We must all realize that the transportation companies have resumed control of the various railroad properties under difficult circumstances, and in view of the vital needs of this country for adequate transportation it is the duty of all citizens and officials to further any movement looking to the bettering of the transportation business.

We feel that regardless of any opinion we might have as to the wisdom or unwisdom of the Esch-Cummins Act, it is the foundation upon which the regulation of the railroad now rests and to shake that foundation would be against the public interest.

We do not mean to say that this Commission has abdicated its functions in rate fixing, as we believe that our determination to grant the prayer of applicants is sustainable upon the ground of reasonableness. Furthermore, we realize that we have a heavy responsibility in the matter of adjusting state rates which inevitably will become necessary upon the imposition of a percentage increase. The shippers who appeared before us in this proceeding have taken a very commendable position. Practically without exception they have stated their conviction that the railroads must have relief in increased rates in order adequately to give service. Furthermore, they believe that this Commission should cooperate with the Interstate Commerce Commission and make effective its order increasing rates. They do urge, however, that this Commission keep control of the matter of adjustment of rates after the imposition of a percentage increase.

The carriers have agreed that they will, as promptly as possible, make adjustments or change rates in agreement with their patrons wherever possible without resort to this Commission and as to all disputes or disagreements which may arise they will be promptly referred to this Commission for decision.

As to the carriers who are before this Commission and who might not be considered to be directly authorized by the Interstate Commerce Commission to increase rates, it is to be remembered that they are in competition with the carriers who will charge increased rates and it is necessary that the relationship of rates between the carriers be maintained.

We will, therefore, authorize all carriers applicant herein to increase freight charges 25 per cent and passenger fares 20 per cent with a

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surcharge on Pullman fares of 50 per cent which will accrue to the carriers, and we will further order that this proceeding be kept open for the purpose of considering adjustments of rates and all further appropriate matters which properly may come before us herein.

ORDER.

Application having been made to the Railroad Commission of the State of California by practically all the steam and electric interurban railroads and boat common carriers engaged in the transportation of persons and property in this state for an order authorizing the increasing of intrastate freight and passenger rates in harmony with the increase authorized under the provisions of the "Transportation Act 1920" (Esch-Cummins Act) by the Interstate Commerce Commission in its docket *ex parte* 74, decided July 29, 1920, all of which is set forth in the applications and exhibits on file with this Commission; public hearings having been held on said application, and the Commission being fully advised in the premises, hereby finds as a fact that the application should be granted. Basing our order on this finding of fact and on the further findings contained in the opinion which precedes this order;

It is hereby ordered that the application should be and the same is hereby granted and that the applicants steam and electric interurban railroads and boat common carriers are hereby authorized to establish the following increased rates within thirty days from the date of this order:

Freight rates.

All applicants, steam and electric interurban railroads and boat line common carriers, may increase freight rates as follows:

All freight rates, including switching and special service, may be increased 25 per cent.

Absorptions.

Where tariffs now provide for the absorption by one carrier of the charges of another carrier in specific amounts, such absorptions will be revised in harmony with increases in charges herein authorized.

Passenger fares and charges.

All steam and electric interurban railroad and boat line common carriers applicants herein may make the following increases:

1. All passenger fares and charges may be increased 20 per cent. The term "passenger fares" may be considered to include standard local or interline fares; excursion, convention, and other fares for special occasions; commutation and other multiple forms of tickets; extra fares on limited trains; club car charges.

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No increases may be made in street car fares within any municipality except that the Pacific Electric Railway Company is hereby authorized to increase all of its passenger fares 20 per cent.

2. Excess baggage rates may be increased 20 per cent, provided that where stated as a percentage of or dependent upon passenger fares, the increase in the latter will automatically effect the increase in the excess baggage charges.

3. A surcharge upon passengers in sleeping and parlor cars may be made amounting to 50 per cent of the charge for space in such cars, such charge to be collected in connection with the charge for space, and to accrue to the rail carriers.

4. Milk and cream are usually carried in passenger trains, and the revenue therefrom is not included in freight revenue. Rates on these commodities may be increased 20 per cent.

Disposition of fractions.

In computing and applying all increased rates authorized herein, fractions will be treated as follows:

Where rates are stated in amounts per one hundred pounds or any other unit, except as provided in the succeeding paragraph, fractions of less than one-fourth of a cent will be omitted. Fractions of one-fourth of a cent or greater, but less than three-fourths of a cent, will be stated as one-half cent. Fractions of three-fourths of a cent or greater, will be increased to the next whole cent. This rule will also be followed in computing passenger fares.

Where rates are stated in dollars per carload, including articles moving on their own wheels, when not stated in amounts per one hundred pounds, or per ton, amounts of less than 25 cents will be dropped; thus, $25.24 will be stated as $25. Amounts of 25 cents or more, but less than 75 cents, will be stated as 50 cents; thus, $25.65 will be stated as $25.50. Amounts of 75 cents or more, but less than $1, will be raised to the next dollar.

Divisions.

Where carriers earn specific amounts as their compensation out of through rates or fares, such amounts will be increased in the same percentages as the through rates or fares. Where the divisions of carriers participating in through rates or fares are in fixed amounts per unit and are absorbed by other carriers, such absorptions will be increased in the same percentage as the through rates or fares.

Minima.

Present minimum rates or charges are not to be disturbed.

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Long and short haul violations.

Carriers affected by this order are hereby authorized to publish rates, fares and charges in accordance with this order, which may be in violation of section 21 of the state constitution and of section 24 of the Public Utilities Act.

Publication of tariff.

The rates authorized herein may be published on one day's notice in a blanket supplement to all tariffs. Such supplement may be similar in character or the same as authorized by the Interstate Commerce Commission.

Adjustments.

This proceeding will be kept open for the purpose of considering adjustments of rates and all appropriate matters which may properly be brought before the Commission.

Adjustments will be necessary and carriers will be expected to deal promptly and effectively therewith, to the end that such readjustments may be made in as many instances as practicable without forcing an appeal to this Commission.

Dated at Los Angeles, California, this seventeenth day of August, 1920.

DECISION NO. 7984.

IN THE MATTER OF THE APPLICATION OF GREAT WESTERN POWER COMPANY OF CALIFORNIA, FOR AN ORDER AUTHORIZING THE EXECUTION OF A MORTGAGE AND THE ISSUANCE OF BONDS.

Application No. 6000.

Decided August 17, 1920.

BOND ISSUES—SINKING FUND PAYMENTS.—Sinking fund payments are not and can not be regarded by this Commission as an operating expense. Such payments are an obligation assumed by the stockholders and must be paid out of funds contributed by the stockholders or out of surplus earnings which might be distributed as dividends.

BOND ISSUES—SALES AGREEMENTS—APPROVAL OF.—The Commission refuses to approve an agreement between applicant and a bond house when such agreement provides for the execution of a mortgage and may be taken as approving the form of mortgage, as no copy of such proposed mortgage has been submitted for approval by the utility. It is held that when a utility asked for an order such as requested by applicant, it must submit to the Commission a complete record.

Guy C. Earl and *Chaffee E. Hall*, by *Chaffee E. Hall*, for Applicant.

MARTIN, *Commissioner*.

OPINION.

Great Western Power Company of California, in its amended application, asks permission to execute a mortgage upon all its properties to secure the payment of $5,000,000 face amount of general mortgage

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convertible 8 per cent bonds dated August 1, 1920, and due August 1, 1930; to issue and sell $3,500,000 of said bonds at 93 per cent of their face value plus accrued interest; to issue and pledge $3,500,000 of its series "B" first and refunding sinking fund gold bonds to secure in part the payment of the $3,500,000 of 8 per cent bonds, and to issue said $3,500,000 of series "B" bonds in exchange for the $3,500,000 of 8 per cent bonds upon such conditions as are hereafter mentioned. The company further asks permission to use the proceeds from the sale of the $3,500,000 of 8 per cent bonds to pay the cost of completing the construction of a hydroelectric generating plant and appurtenances (known as the Caribou development) on the North Fork of the Feather River, a 150,000-volt transmission line from the Caribou plant to its Valona substation, and for such other purposes as may hereafter be authorized by the Commission.

In the application, as originally filed, applicant asked the Commission to make an order authorizing it to issue to the purchasers of its 8 per cent bonds, interim certificates or subscription receipts pending the issue of definitive bonds. At the hearing, counsel for applicant took the position that it might issue such interim certificates or subscription receipts without an order from the Railroad Commission and he, therefore, amended the application, eliminating applicant's request relative to the issuance of interim certificates or subscription receipts.

Applicant reports that it is in urgent need of additional funds to complete its Caribou development and the construction of a transmission line extending from the Caribou plant to Valona substation. The cost of the transmission line is now estimated at $2,096,597.66 and that of the Caribou development at $8,578,300, making a total of $10,674,897.66. In Application No. 4395, the estimated cost of the Caribou development, as therein outlined, was reported at $4,321,430 and of the transmission line at $1,736,000, making a total of $6,057,430, or $4,617,467.66 less than the total cost as now reported. The record shows that the increase in the estimated cost is caused by enlarging the tunnels so as to permit of the construction of an 80,000-kilowatt plant instead of a 60,000-kilowatt plant as originally planned, to unforeseen difficulties experienced in tunnel construction, to increases in cost of materials and supplies, to increases in wages paid and to the difficulty in keeping employees permanently engaged on the construction work.

Applicant reports that it has entered into an agreement, Exhibit "A," with E. H. Rollins and Sons covering the sale of $3,500,000 of 8 per cent ten-year convertible bonds. The payment of these bonds is to be secured by a general mortgage covering all of applicant's properties and further secured by the ultimate deposit of $3,500,000

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of applicant's series "B" 7 per cent thirty-year bonds to be issued under its first and refunding mortgage dated March 1, 1919. As further security, the company agrees to provide a sinking fund beginning August 1, 1922, which shall be equivalent to one-ninth of the total bonds at any time certified plus a premium of 5 per cent, which payment shall be used annually to retire bonds at 105. No doubt, applicant's officers are aware that sinking fund payments are not and can not be regarded by this Commission as an operating expense and that such payments are an obligation assumed by the stockholders, and must be paid out of funds contributed by stockholders or out of surplus earnings, which might be distributed to stockholders. The company reserves the right to redeem the 8 per cent bonds at 105. If it calls the bonds for payment, the holder may exchange them for series "B" 7 per cent bonds at 105. The holder is given the additional option of exchanging at any time his 8 per cent bonds for series "B" 7 per cent bonds at 102½.

The Commission is asked to approve the agreement between E. H. Rollins and Sons and applicant relating to the sale of the 8 per cent bonds, the execution of a general mortgage, the pledging and exchange of series "B" 7 per cent bonds and the issue of temporary certificates or subscription receipts. The Commission can not at this time approve the agreement for the reason that such approval might be interpreted by some as committing the Commission to authorize the execution of a mortgage regardless of its terms, so long as such mortgage contained the conditions set forth in the agreement, and the issuing of 7 per cent series "B" bonds, when as a matter of face, the Commission has not yet been furnished with a copy of the proposed mortgage, nor has a proper showing been made on which the Commission can predicate an order authorizing the issue of 7 per cent series "B" bonds. When a utility asks for an order such as requested by applicant, it should submit to the Commission a complete record. Upon a satisfactory showing being made, the Commission will by supplemental order authorize the issue of 7 per cent series "B" bonds for the purposes indicated in this application, and the execution of a general mortgage when a copy of such mortgage in form satisfactory to the Commission has been filed with the Commission.

I herewith submit the following form of order:

ORDER.

Great Western Power Company of California having applied to the Railroad Commission for permission to execute a general mortgage, to issue $3,500,000 of 8 per cent ten-year bonds and issue, pledge and

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exchange series "B" 7 per cent bonds, a public hearing having been held, and the Railroad Commission being of the opinion that the money, property or labor to be procured or paid for by the issue of the bonds herein authorized is reasonably required for the purpose or purposes specified in this order and that the expenditures for such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income;

It is hereby ordered, that Great Western Power Company of California be and it is hereby authorized to issue and sell, for cash, on or before March 1, 1921, at not less than 93 per cent of their face value plus accrued interest, $3,500,000 of its 8 per cent ten-year general mortgage convertible bonds and use such part of the proceeds as may be necessary to complete its Caribou development and the transmission line referred to in applicant's Exhibits "B" and "C"; provided, that—

(1) The authority herein granted will not become effective until the Commission by supplemental order or orders has authorized applicant to execute a general mortgage securing the payment of the bonds.

(2) The authority herein granted to issue bonds will not become effective until applicant has paid the fee prescribed in the Public Utilities Act.

(3) Any proceeds from the sale of the bonds not necessary to pay for the completion of the Caribou development and the transmission line referred to in Exhibits "B" and "C" be expended only for such purposes as the Railroad Commission may authorize by a supplemental order or orders herein.

(4) The Great Western Power Company of California will keep such record of the issue and sale of the bonds herein authorized and of the disposition of the proceeds as will enable it to file, on or before the twenty-fifth day of each month, a verified report as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at Los Angeles, California, this seventeenth day of August, 1920.

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DECISION NO. 7985.

IN THE MATTER OF THE APPLICATION OF H. N. SIEGFRIED, AS RECEIVER OF IMPERIAL UTILITIES CORPORATION, FOR AUTHORITY TO INCREASE RATES.

Application No. 6033.

Decided August 23, 1920.

BY THE COMMISSION.

PRELIMINARY ORDER.

H. N. Siegfried as receiver of the Imperial Utilities Corporation, having applied to this Commission for authority to put into effect a temporary emergency surcharge pending the final action of this Commission upon the application herein,

And it appearing to the Commission that the cost of operating the Monterey Park system of applicant has been very materially increased because of a water shortage and increased costs of labor and materials and that an emergency exists which justifies these increased expenditures, and that applicant is otherwise financially unable to meet these increased costs, and that this is a matter in which a temporary emergency surcharge should be granted;

It is hereby ordered, that H. N. Siegfried as receiver of the Imperial Utilities Corporation be and he is hereby authorized to add to the total of each bill rendered a surcharge of twenty-five per cent (25%) of said total, on all bills rendered subsequent to August 24, 1920.

It is hereby further ordered, that the above emergency surcharge is authorized upon the following conditions, and not otherwise:

1. That applicant herein shall keep a true and correct record of income and expenditures during the period the above established surcharge is in effect.

2. That applicant shall hold subject to return to his consumers, as subsequently directed, any surplus received by him which is produced by the surcharge established herein, over and above what would have been yielded by such rates as are established in the final order of the Commission herein.

Dated at San Francisco, California, this twenty-third day of August, 1920.

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DECISION NO. 7986.

IN THE MATTER OF THE APPLICATION OF WOODWORTH CAMPBELL, AGENT, IN THE NAME AND ON BEHALF OF N. FAY AND SONS, GEO. A. BROWN, WHEELER TRANSPORTATION COMPANY, VEHMEYER TRANSPORTATION COMPANY, RIO VISTA LIGHTERAGE COMPANY, HERRINGER AND SCOTT, SHECKLER AND HOFFMAN TRANSPORTATION COMPANY, AND ISLAND TRANSPORTATION COMPANY, FOR AUTHORITY TO INCREASE RATES.

Application No. 5841.

Decided August 23, 1920.

BOOKS AND ACCOUNTS—MAINTENANCE OF.—The Commission, while authorizing applicants to increase freight rates from 24 to 26 per cent, directs that each of such applicants shall keep its records of revenues and expenses in a methodical and comprehensive manner and by March 15, 1921, furnish the Commission a detailed report of revenues, expenses, depreciation, valuation of property, etc., covering their operations under the present increases.

LOVELAND, *Commissioner*.

OPINION.

Woodworth Campbell, agent, the applicant in this proceeding, having petitioned the Railroad Commission on behalf of N. Fay & Sons, Geo. A. Brown, Wheeler Transportation Company, Vehmeyer Transportation Company, Rio Vista Lighterage Company, Herringer & Scott, Sheckler & Hoffman Transportation Company and Island Transportation Company, common carriers, acting under authority of powers of attorney on file with the Commission from each of said carriers, applied under Sections 15, 21 and 63 of the Public Utilities Act for an order granting him permission to publish, file, establish and make effective, for and on behalf of said carriers, upon one day's notice, the rates, rules and regulations for the transportation of freight and relief from the long and short haul provision of the constitution of the State of California, between Stockton, Sacramento, San Francisco, Pittsburg, Bay Point, Oleum, Petaluma, and intermediate points, and landings on the San Joaquin, Mokelumne, Old, Middle and Sacramento rivers and tributaries, shown in statement attached to application in this proceeding, marked Bay and River Boat Local Freight Tariff No. 2, C. R. C. No. 4, of Woodworth Campbell, agent.

The proposed rates, rules and regulations are increases or result in increases over the rates, rules and regulations now published and maintained for the transportation of traffic between the same points, by the said carriers, which are shown in the following tariffs on file with the Commission:

C. R. C. Nos. 3 and 11 of N. Fay and Sons.
C. R. C. No. 5 of Wheeler Transportation Company.
C. R. C. No. 5 of Vehmeyer Transportation Company.
C. R. C. No. 1 of Rio Vista Lighterage Company.
C. R. C. No. 5 of Herringer and Scott, and
C. R. C. No. 3 of Island Transportation Company.

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The applicants in this proceeding are carriers engaged in the business of transferring freight by gasoline launches, barges and steamboats on the Sacramento and San Joaquin rivers and tributaries thereof.

The testimony introduced by the applicant, through an expert accountant, showed that practically all of the carriers were operating at a deficit or at most only avoiding a deficit. It was also shown that all operating costs such as wages, commissary supplies, oil, gasoline, rope, ship chandlery, etc., had greatly increased.

No tariffs have been filed with the Railroad Commission by applicants Geo. A. Brown, Sheckler & Hoffman Transportation Company and River Sand and Gravel Company. Therefore, this order will not include these three applicants.

It is proposed to establish an increased schedule of class rates, revise the classification, cancel certain commodity rates and increase others. The present and proposed class rates are set forth below:

	Classes				
	1	2	3	4	5
	Rates in cents per 100 pounds				
Present	27½	25	21½	19	12½
Proposed	34½	31½	27	24	15½
Increase	7	6½	5½	5	3

the increases in these rates ranging from 24 per cent to 26 per cent.

Exhibits were introduced by an expert accountant testifying for the applicant, showing the property investment, volume of traffic, revenue and expenses of each of the interested parties. It will not be necessary to reproduce the exhibits, it being shown that after making allowances for all operating expenses including taxes and depreciation none of the applicants show a reasonable net income.

Owing to the manner in which these applicants' books were kept, it was practically impossible to definitely determine in each case the amount of revenue and expenses, some of them keeping practically no record. Each of the applicants in this proceeding will be required to keep methodical and comprehensive records of revenues and expenses and will on March 15, 1921, furnish the Commission with a full report of revenues, expenses, valuation of property, depreciation account, etc., covering operations under the increased rates authorized herein, for the first six months, September, 1920, to February, 1921, inclusive. The Commission will determine from this report whether or not further action is required in this matter.

It is therefore the conclusion of the Commission that this application should be granted.

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ORDER.

It is hereby ordered, that this application be and the same is hereby granted permitting the applicants, parties to this proceeding, to increase their rates in accordance with the exhibit attached to and made a part of the application, subject to the conditions imposed in the opinion preceding this order.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-third day of August, 1920.

DECISION NO. 7987.

IN THE MATTER OF THE APPLICATION OF BAY POINT LIGHT AND POWER COMPANY FOR AUTHORITY TO CHARGE INCREASED RATES FOR ELECTRICITY.

Application No. 5889.

Decided August 23, 1920.

Sanborn and Rochl, by *Harvey L. Sanborn*, for Applicant.

BY THE COMMISSION.

OPINION.

In this application Bay Point Light and Power Company, hereafter referred to as applicant, alleges that its operating expenses will be greatly increased, largely through the increase in the cost of power purchased, and requests authority to charge for its service the same rates charged by Great Western Power Company in adjacent territory.

A public hearing in this proceeding was held before Examiner Westover at Bay Point on Saturday, July 17, 1920.

Applicant purchases electric energy at wholesale from Great Western Power Company and operates a distributing system in the towns of Bay Point and Clyde and adjacent territory, serving about 300 consumers. This territory was the site of extensive shipyards and kindred developments during the war, and in keeping pace with the growth of its business during the year 1918, and again during 1919, applicant was required to double its investment. To an extent commensurate with the size of the company, applicant has been subject to most of the increased costs which have affected public utilities since prior to the war, but the increase in its business has absorbed such increased costs and enabled it to operate without increasing its rates up to the present time. The results of its operations for the past three years, as compiled from its annual reports, which it was stipulated were to

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be included in the evidence in this proceeding, are shown in the following table:

	1917	1918	1919
Additions and betterments	$3,477 00	$10,782 00	$19,223 00
Fixed capital, December 31	8,955 00	19,737 00	38,961 00
Working cash and material and supplies	1,500 00	6,000 00	3,200 00
Average capital for the year	8,715 00	20,347 00	30,449 00
Gross electric revenue	7,540 00	14,416 00	19,920 00
Operating expense and taxes	6,112 00	13,509 00	15,616 00
Depreciation at 4 per cent	300 00	575 00	1,100 00
Net for return	1,128 00	332 00	3,204 00
Return on capital invested	13%	1.6%	10.5%

These figures include a proper allowance for depreciation, but it is apparent that a sufficient allowance for this item has not heretofore been set aside by the company. In 1918 applicant has included an excessive amount for materials and supplies and apparently some construction costs have been charged to operation. A corrected statement for that year would show a reasonable return earned. In the consideration of this case allowance is made for a proper reserve to cover depreciation, and applicant will be required to hereafter set aside a reasonable allowance for this item. Effective July 10, 1920, Great Western Power Company was authorized by this Commission to increase its charges for electric energy sold to the applicant. If this increase had been effective during the year 1919 applicant's operating expenses would have been increased by approximately $3,000 and its net return would have been practically wiped out. Not only does it seem that relief is needed, but there is no apparent reason why applicant's consumers should be supplied with electric service at more favorable rates than have been found reasonable for similar districts and for the territory immediately adjacent served by Great Western Power Company, from whom applicant obtains its electricity, provided these rates do not result in an unreasonable return to applicant. As the rates fixed for Great Western Power Company apply to its entire system, not all of them are applicable to the conditions under which Bay Point Light and Power Company operates. Such schedules as are applicable will be authorized with certain slight modifications. Rates of Great Western Power Company now include a surcharge of 15 per cent, and as this surcharge if removed will produce a corresponding reduction in applicant's operating expenses, it seems logical that rates to be charged by applicant should also be in the form of a base rate plus a surcharge. The rates hereafter authorized and approved for Bay Point Light and Power Company will result in an increase in revenue sufficient to reimburse applicant for increases in cost of purchased power and labor.

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ORDER.

Bay Point Light and Power Company having applied to the Railroad Commission for authority to increase its electric rates, a public hearing having been held, the matter submitted and now ready for decision:

The Railroad Commission of the State of California hereby finds as a fact that the existing rates of Bay Point Light and Power Company are unjust, unreasonable, and inadequate so far as they differ from rates and surcharges hereinafter set forth, which are found to be just and reasonable rates.

Basing its order on the foregoing findings of fact and on the findings of fact contained in the opinion preceding this order;

It is hereby ordered, that Bay Point Light and Power Company be and the same is hereby authorized to charge and collect the following rates for electric service rendered effective based on all regular meter readings taken on and after the twenty-fourth day of August, 1920:

Schedule L-1.

Cancelling former schedules Nos. 1, 2, 3 and 5.

General Domestic and Commercial Lighting.

Applicable also to appliances and small motors used in connection with lighting service.

For the first 30 kilowatt hours per meter per month, 9 cents per kilowatt hour
For the next 270 kilowatt hours per meter per month, 7 cents per kilowatt hour
For all over 300 kilowatt hours per meter per month, 5 cents per kilowatt hour

Minimum charge.

$1.20 per meter.

Schedule C-1.

Cancelling former schedules Nos. 4 and 7.

Cooking and heating and combination domestic service.

Applicable to heating and cooking service and to domestic combination lighting, heating and cooking service.

Rate.

a. Heating and cooking service.

First 180 kilowatt hours per meter per month, 3.5 cents per kilowatt hour
All over 180 kilowatt hours per meter per month, 2 cents per kilowatt hour

b. Combination lighting, cooking and heating service. Applicable only to residences, flats and apartments of eight rooms or less.

First 30 kilowatt hours per meter per month, 9 cents per kilowatt hour
Next 150 kilowatt hours per meter per month, 3.5 cents per kilowatt hour
All over 180 kilowatt hours per meter per month, 2 cents per kilowatt hour

Minimum charge.

Seventy-five cents per kilowatt of active connected load per month but not less that $3 per month.

Special conditions.

1. This schedule applies only where consumers have installed and use cooking and heating appliances other than lamp socket devices of at least 2 kilowatts capacity.

2. Bathrooms, halls and cellars are not classified as active rooms.

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3. The active connected cooking, heating and power load shall be taken as 100 per cent of the first 2 kilowatts installed and 50 per cent of connected load installed in excess of 2 kilowatts, computed to the nearest one-tenth of a kilowatt, but is never to be taken as less than 2 kilowatts. Motors and instantaneous water heaters will be rated as 100 per cent active connected load. Motors aggregating not more than 5 horsepower and not in excess of the total connected load of heating and cooking appliances, may be included in this rate and will be rated at 1 kilowatt for each horsepower of output rating. Where the connected load is so arranged that all of it can not be connected at one time, only the maximum load that can be connected will be used as a basis for the active load. All equipment will be assumed as operating at 100 per cent power factor.

4. Combination service is not rendered for residences of over eight rooms.

Schedule P-1

Cancels former schedule No. 8.

Consumption per horsepower per month	Less than 10 H.P.	For Installations of 10 to 24 H.P.	25 to 49 H.P.	50 to 99 H.P.	100 to 200 H.P.
First 60 k.w.h.	4.0c	3.6c	3.1c	2.6c	2.2c
Next 60 k.w.h.	2.1	2.0	2.0	1.7	1.5
Next 60 k.w.h.	1.5	1.5	1.3	1.2	1.1
Over 180 k.w.h.	1.2	1.1	1.0	1.0	0.9

Minimum charge.

For the first 50 horsepower..... $1 00 per horsepower per month
For each horsepower in excess of 50 h.p.... 75 per horsepower per month
In no case to be less than $2 per month.

It is hereby further ordered, that Bay Point Light and Power Company be and it is hereby authorized to charge and collect a surcharge of 15 per cent on all bills rendered under the rates above set forth, said surcharge to be effective on bills based on meter readings taken on and after the twenty-fourth day of August and until the twenty-fourth day of May, 1921, unless otherwise ordered by this Commission.

Dated at San Francisco, California, this twenty-third day of August, 1920.

DECISION NO. 7988.

CALIFORNIA PACKING CORPORATION ET AL.

vs.

SOUTHERN PACIFIC COMPANY, A CORPORATION, WALKER D. HINES, DIRECTOR-GENERAL OF RAILROADS.

Case No. 1416.

Decided August 23, 1920.

H. H. Gogarty, for Southern Pacific Company, Defendant.

H. E. Van Horn, for California Packing Corporation et al., Complainants.

LOVELAND and MARTIN, *Commissioners*.

OPINION.

A hearing was held in the above entitled proceeding before Commissioners Loveland and Martin on Tuesday, May 11, 1920, at which time

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after a discussion litigants requested a postponement expressing a desire to endeavor to adjust the matter involved out of court.

The proceeding involved reparation payments against empty carriers moving from a point on the Belt Railroad north of Market street to Mountain View. The tariffs in effect at the time the shipments moved, because of faulty construction, provided different rates.

Defendant having admitted that under the tariffs the rates as claimed could not be exceeded and having through its claim department refunded the overcharges, written request was made for dismissal of the action, and the tariffs having been corrected, I am of the opinion that the case should be dismissed.

ORDER.

It is hereby ordered, that, good cause appearing, the amount of reparation in this case having been paid, and the Commission being fully informed, believes that the same should be and it is hereby dismissed.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-third day of August, 1920.

DECISION No. 7989.

IN THE MATTER OF THE APPLICATION OF MIDLAND COUNTIES PUBLIC SERVICE CORPORATION FOR AN ORDER AUTHORIZING THE ISSUE OF BONDS AND FOR AN ORDER AMENDING THE ORDER IN CALIFORNIA RAILROAD COMMISSION'S DECISION No. 6165.

Application No. 5881.

Decided August 23, 1920.

BY THE COMMISSION.

FIRST SUPPLEMENTAL ORDER.

Good cause appearing;

It is hereby ordered, that the order in Decision No. 7865, dated July 10, 1920, be and it is hereby amended so as to permit Midland Counties Public Service Corporation to deposit as collateral with San Joaquin Light and Power Corporation the bonds, the issue of which is authorized by Decision No. 7865, dated July 10, 1920, such deposit to be made subject to the conditions of said decision; and San Joaquin Light and Power Corporation is hereby authorized to deposit any or all of said bonds as collateral to secure the payment of its note or notes, provided that San Joaquin Light and Power Corporation deposit the

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bonds subject to the conditions of Decision No. 7865, dated July 10, 1920, and subject to the further condition that Midland Counties Public Service Corporation be accorded an opportunity to redeem the bonds in the event that San Joaquin Light and Power Corporation should fail to pay any note or notes, the payment of which is secured by said bonds.

It is hereby further ordered, that the order in Decision No. 7865, dated July 10, 1920, shall remain in full force and effect, except as modified by this first supplemental order.

Dated at San Francisco, California, this twenty-third day of August, 1920.

DECISION NO. 8003.

IN THE MATTER OF THE APPLICATION OF SANTA FE EXPRESS AND DRAYING COMPANY, MERCHANTS EXPRESS AND DRAYING COMPANY, AMERICAN TRANSFER AND STORAGE COMPANY, PEOPLES EXPRESS COMPANY, KELLOGG'S EXPRESS COMPANY, HULL-WEIDER TRANSFER AND STORAGE COMPANY, AUSTIN FREIGHT AND TRANSPORTATION COMPANY, WILLIAMS MOTOR EXPRESS AND DRAYING COMPANY, UNITED TRANSFER COMPANY, OAKLAND PARCEL DELIVERY, RICHMOND MOTOR EXPRESS COMPANY, FOR A HORIZONTAL INCREASE OF THREE (3) PER CENT IN THEIR FREIGHT RATES.

Application No. 5855.

And Supplement Thereto.

Decided August 25, 1920.

REVENUES AND EXPENSES—MAINTENANCE AND SEGREGATION OF.—Applicants authorized to increase transbay rates four per cent to care for increase in operating expenses due to general revision of railroad freight rates. Petition to further increase rates denied due to the failure of applicants to keep their accounts in accordance with prior order of the Commission with reference to the segregation of local and transbay revenues and expenses.

Aitken, Glensor, Cleve and Van Dine, by *Van Dine*, for Applicants.

LOVELAND, *Commissioner*.

OPINION.

By this proceeding applicants seek authority to increase freight rates seven per cent. Of this amount three per cent represents the increase sought in original Application No. 5855, filed June 23, 1920, which application was presented by reason of certain increases made in the wages granted to employees. The remaining four per cent is to cover the increased transbay tolls between San Francisco and Oakland becoming effective August 26, 1920, in the tariff of the Southern Pacific Company following the orders of the Interstate Commerce Commission and of this Commission issued in compliance with the provisions of the Transportation Act.

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The freight rates of these applicants include the charges paid for moving the traffic across the San Francisco Bay and therefore any increases in the rates of the Southern Pacific Company must be absorbed in the rates charged by these applicants.

A public hearing was held on the original application June 29, 1920, and since this supplemental application involves only the twenty-five per cent increase brought about by the increases in rates by the Southern Pacific Company there is no necessity for a further hearing.

This Commission rendered its Decision No. 7709, June 10, 1920, in Application No. 5303, and granted these applicants a temporary increase of ten per cent effective July 1, 1920. In this proceeding involving the three per cent increase, applicants made no satisfactory showing and the testimony was devoid of evidence that conditions had developed not existing at the time Application No. 5303 was filed with the exception that, because of a teamsters' strike, the wages of such employees had been increased by fifty cents per day. Inasmuch as conditions have not changed, I desire to repeat in part my language in Decision No. 7709:

> These same applicants, with the exception of Hull-Weider Transfer and Storage Company, in Applications Nos. 3845, 3846, 3847, 3849, 3850, 3851, 3852, 3853 and 3854, made application in 1918 for a general increase in rates. The Commission, in its Decision No. 5587, July 17, 1918, granted the increases requested.
>
> These same applicants, in Application No. 5010, with the exception of the Richmond Motor Express Company, filed in October, 1919, another application for a 20 per cent increase in rates and a hearing was held thereon October 15, 1919, but owing to the showing made by the applicants the latter requested that the case be dismissed without prejudice. The Commission in its Decision No. 6958, rendered December 17, 1919, authorized the dismissal of Application No. 5010.
>
> In the three hearings had by these applicants it was developed that all of the applicants, in addition to their transbay business, do a local drayage, hauling and car distributing business in Oakland and the other transbay cities. With most of them the transbay hauling is incidental to their local business. Their books have not been kept in a manner permitting of a complete and positive segregation between these different kinds of business, for the reason that the service is performed by the same employees and with the same equipment.
>
> A statement of the gross revenue, operating expenses and total assets and liabilities of six of the applicants, the Merchants Express and Draying Company, Peoples Express Company, American Transfer and Storage Company, Santa Fe Express and Draying Company, Hull-Weider Transfer and Storage Company and Kellogg Express Company, shows that at present, at least one of these companies is operating at an actual loss and the others are operating at varying profits without a remunerative return upon their investment.
>
> The figures referred to are to a considerable extent estimated, for the reason indicated in the foregoing paragraphs, that the applicants have not kept their books in a comprehensive manner.
>
> The showing made by the petitioners as to the cost of performing the service is sufficient, in my opinion, to support the conclusion that their present rates are unremunerative and that the application should be granted in part; that these petitioners should be authorized to increase their rates by 10 per cent.
>
> For the reasons heretofore set forth, I am for the present not inclined to pass upon the merits of this application, other than to permit a moderate increase during a test period in order to ascertain what amounts would accrue to the applicants under such moderately increased rates.

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These applicants ignored the Commission's directions given in Decision No. 5587 of July 17, 1918, in regard to keeping comprehensive accounts of their business and they still have presented no definite figures. I believe that the ten per cent increase authorized June 10, 1920, in Decision No. 7709 will cover the wage increase referred to. In any event the Commission in its order set a probationary period of six months beginning July 1, 1920, for the application of the increased rates and if at the end of that time applicants can show they have not received a fair and reasonable return upon the investment, devoted to the public utility business, the Commission will give the matter further consideration.

For the foregoing reasons I am of the opinion that this application so far as it refers to an increase of three per cent because of the readjustment in wages, should be denied.

It is alleged that the transbay tolls paid by petitioners are, next to labor, the largest item of expense and represent as per statement attached to the supplemental application approximately four per cent of the gross revenues of the different companies. Of the larger companies, the increase per annum would be for the Santa Fe Express and Draying Company, $4,262.26; Merchants Express Company, $5,981.76, and Kellogg's Express Company $2,971.92. The increase in the transbay rates of the Southern Pacific Company become effective August 26, 1920, and I am of the opinion that these applicants should be permitted to increase their freight rates by four (4) per cent in order to meet the increased rates, imposed by the changes in tariffs of the Southern Pacific Company.

ORDER.

The Santa Fe Express and Draying Company, Merchants Express and Draying Company, American Transfer and Storage Company, Peoples Express Company, Kellogg's Express Company, Hull-Weider Transfer and Storage Company, Austin Freight and Transportation Company, Williams Motor Express and Draying Company, United Transfer Company, Oakland Parcel Delivery, and Richmond Motor Express Company, having applied to this Commission to increase certain rates for the transportation of freight between San Francisco and the east bay cities (Oakland, Berkeley, Alameda, Piedmont, Emeryville, Fruitvale and Melrose) and the intermediate points, as set forth in the opinion, and a hearing having been held, the Commission being fully advised in the premises and basing its findings on the opinion which precedes this order;

It is hereby ordered, that said applicants be and the same are hereby authorized to establish and publish tariffs to be filed with this Commission, effective not earlier than August 26, 1920, rates four (4) per

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cent higher than those set forth in their tariffs now on file with this Commission, disposing of the fractions as follows: Less than one-fourth of a cent will be omitted; one-fourth of a cent or greater, but less than three-quarters of a cent, will be stated as one-half; three-quarters of a cent or greater will be increased to the next whole cent.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-fifth day of August, 1920.

DECISION NO. 8005.

IN THE MATTER OF THE APPLICATION OF UKIAH GAS COMPANY FOR ORDER AUTHORIZING AN INCREASE IN RATES.

Application No. 5996.

Decided August 26, 1920.

Geo. H. Eckert, for Applicant.
H. B. Smith, mayor, for city of Ukiah.

BY THE COMMISSION.

OPINION.

This is an application by Ukiah Gas Company for authority to increase its rates and charges for gas to its consumers in the city of Ukiah and vicinity, alleging that the present rates fail to provide sufficient revenue to meet proper operating expenses and yield a return upon its investment. On August 13, 1920, applicant amended its former petition and asked for authority to discontinue operations, as it found itself unable to longer finance the operation of the company.

A public hearing was held in Ukiah on August 20, 1920, before Examiner Westover and the matter thereupon submitted.

The present owners of these gas properties have recently made efforts to transfer the ownership and operation of the gas plant and system to other interests who would be in a position to carry on the operation upon a somewhat more economical basis. In April the city of Ukiah voted on the question of purchasing these properties, but this proposition failed to carry. It is understood that the purchase price agreed upon at that time of $22,500 was considered excessive.

Applicant testified that its past operations have not resulted in an actual out of pocket loss, but that it has been impossible to earn a return upon its investment, or a proper allowance for depreciation. Operating expenses have been maintained at the very lowest figure possible by employing only absolutely essential labor and paying very low wages. This has resulted in much difficulty in keeping employees

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and has caused considerable annoyance to consumers due to poor service. However, with the available revenue it was impossible for applicant to improve conditions materially. In order to continue operations it will be necessary to pay considerably higher wages, as the present superintendent, who has been with the company for a number of years, has resigned, and it is not believed possible to fill his position except at a considerably higher wage. Oil is being purchased under a contract which runs until February 1, 1921, but on account of the recent increase in freight rates the cost f.o.b. Ukiah will be increased from the present figure of $2.48 per barrel to approximately $2.68 per barrel. This alone results in a direct increase in the cost of gas sold of 7 cents per thousand cubic feet.

The following tabulation sets forth operating statistics for Ukiah Gas Company for the year 1919, and also a statement for the year 1920. Calculations for the latter year were based upon actual experience for the first seven months. Operating costs for the last portion of the year assumed future oil purchases at the rate of $2.68 per barrel f. o. b. Ukiah and also made allowance for the hiring of additional labor and the replacement of present employees lost at wages commensurate with those paid elsewhere:

Ukiah Gas Company—Operating Statistics.

	1919	1920
Consumers	400	380
Gas sales, thousand cubic feet	6,977.6	4,958.3
Sales, per consumer (thousand cubic feet)	17.45	13.05
Barrels of oil used	2,600	2,025
Gallons per 1000 cubic feet sold	15.65	17.10
Revenue, gas sales	$11,785 52	$11,185 00
Operating expenses	11,338 51	10,755 00
Net for depreciation and return	$47 09	$430 00
Depreciation	1,000 00	1,050 00
Deficit	$952 99	$620 00
Investment	$35,996 55	

The above operating statistics indicate that under the present rates applicant is unable to earn proper operating expenses or any return upon its investment; in fact, a deficit of $620 would be suffered after allowance for depreciation. Applicant is therefore entitled to an increase in rates in order that it may continue operations. The rates hereinafter set forth should yield a gross return for the year 1920 of $12,308, which after deduction of operating expenses should show a net return of $1,553 for interest and depreciation. While this would be a very low return for 1920, operations under the new rates for a period of a full year should produce a fair return. It is to be noted that there has been a material reduction in gas sales recently, but with the improvement of service conditions sales should be increased.

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The rates now in effect were established by Decision No. 6256, dated April 1, 1919, and are shown in the following schedule:

First	400 cubic feet or less per meter per month,	$1 00	
Next	2,600 cubic feet per meter per month	2 10	per 1000 cubic feet
Next	5,000 cubic feet per meter per month	1 70	per 1000 cubic feet
Next	7,500 cubic feet per meter per month	1 50	per 1000 cubic feet
All over	15,000 cubic feet per meter per month	1 25	per 1000 cubic feet

The value of applicant's property was established by this Commission in April, 1917, as $35,865. Additions and betterments to date indicate a value as of January 1, 1920, of $35,996.55.

While the present rates are comparable with those of several other small communities receiving similar service, it is to be remembered that Ukiah is situated at a considerable distance from a source of oil supply and because of recent increase in oil prices and freight rates, charges for gas must necessarily be proportionately advanced. It is believed that the increased rates herein established, while of material benefit to applicant, will not prove excessive nor be so considered by the present consumers and thereby result in a decrease in gas sales.

In the event operating conditions again become normal and gas sales are increased to 6500 thousand cubic feet during the following twelve months period, the rates hereinafter established should produce a gross revenue of $16,575 with operating costs amounting to $14,010, leaving a balance of $2,565 net return for interest and depreciation.

In view of the fact that the shutting down of these gas properties would deprive nearly 400 consumers of gas service, and further that there is at this time the possibility of consummating a transfer of these properties, whereby they might be more economically operated in future and thereby continue service, it is believed that applicant's petition to discontinue service should be held in abeyance and that rates should now be established which will yield a reasonable return upon the investment and permit the continued operation of these properties.

ORDER.

Ukiah Gas Company having applied to the Railroad Commission for authority to increase its rates, supplemented by an amended petition to discontinue operations, a public hearing having been held and the matter submitted, and being now ready for decision:

The Railroad Commission of the State of California hereby finds as a fact that the discontinuance of gas service by Ukiah Gas Company is not at this time justified and that its present rates and charges for gas are not fair and reasonable rates in so far as they do not adequately compensate to the extent of earning proper operating expenses and a return upon its investment, and in so far as they differ from the rates hereinafter established.

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Basing its order upon the foregoing findings of fact contained in the opinion which precedes this order:

It is hereby ordered, that the application of Ukiah Gas Company for permission to discontinue operations be temporarily withheld until further showing be made in the matter, and that in lieu thereof Ukiah Gas Company is hereby authorized to charge and collect the following rates for gas, effective for all regular meter readings taken on and after the twenty-sixth day of August, 1920, to-wit:

Schedule of Rates.

First	400 cubic feet or less per meter per month,	$1 25
Next	2,600 cubic feet per meter per month	2 50 per 1000 cubic feet
Next	5,000 cubic feet per meter per month	2 00 per 1000 cubic feet
Next	7,000 cubic feet per meter per month	1 75 per 1000 cubic feet
All over	15,000 cubic feet per meter per month	1 50 per 1000 cubic feet

Provided, Ukiah Gas Company shall, within ten days from the date of this order, file with the Railroad Commission the schedule of rates herein established.

Dated at San Francisco, California, this twenty-sixth day of August, 1920.

Decision No. 8006.

IN THE MATTER OF THE APPLICATION OF CALIFORNIA TELEPHONE AND LIGHT COMPANY FOR AUTHORITY TO INCREASE ITS RATES AND CHARGES FOR ELECTRIC SERVICE.

Application No. 5768.

Decided August 26, 1920.

ELECTRIC RATES—RATE OF RETURN—DENSITY OF TERRITORY SERVED.—It is held that an electric utility operating in widely scattered territory can not expect to earn a full return upon its investment when it would be necessary, to provide such revenue, to increase rates to a point in excess of the value of the service. The logical remedy is the encouragement of new business of existing lines and the development of territory served.

The Commission, in considering a contention that the rates of applicant in the city of Sonoma should not exceed those of Great Western Power Company in adjacent territory, holds that the rates of a smaller utility can not be held on a parity with those of a much larger company in that the latter's business is spread over a considerable area and the territory in question may not in itself be self-supporting if separated from the balance of the system.

Revised schedules established to become effective for meter readings made on and after August 27, 1920.

Leo H. Sussman, for Applicant.

Fred W. McConnell, for city of Healdsburg.

W. F. Cleave and *A. J. Martinson*, for Sonoma Business Men's Association.

MARTIN, *Commissioner*.

OPINION.

In this application California Telephone and Light Company, hereinafter referred to as applicant, alleges that its operating expenses

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will be largely increased through the increased costs of materials and supplies, including electricity purchased and through increases in wages and salaries already granted and asks the Commission to authorize such increases in the rates charged for electric service as shall be found just and reasonable.

In connection with Case No. 917 and Application No. 2171, which were consolidated for hearing and consideration, the Commission made a thorough examination of applicant's affairs and Decision No. 4433, dated June 28, 1917 (Opinions and Orders of the Railroad Commission of California, Vol. 11, page 430), established a schedule of rates, which at that time was found just and reasonable. These rates were modified in Decision No. 5711, dated August 26, 1918 (Opinions and Orders of the Railroad Commission of California, Vol. 15, page 1100), by the addition of certain surcharges.

Applicant submitted in evidence in the present proceeding a statement of its past operations and an estimate for the year 1920 on the basis of present rates and the expenses as have existed up to the present time which, by comparison with data in the files of the Commission, is shown to be reasonable and which is summarized in the following table:

TABLE 1.

California Telephone and Light Company—Electric Department.

	1917	1918	1919	1920
Additions and betterments	$16,649 78	$46,238 60	$102,184 23	$14,337 83*
Valuation, December 31	448,627 18	494,865 78	597,050 01	611,387 84*
Average for the year	440,302 29	471,746 48	545,957 89	611,387 84
Working cash capital	12,020 42	12,909 06	17,710 32	20,000 00
Total capital	452,322 71	484,655 54	563,668 21	631,387 84
Gross revenue	87,470 65	107,999 50	118,394 34	138,361 58
Operating expenses	51,764 06	64,747 82	71,465 17	80,557 44
Net operating revenue	35,806 59	43,251 68	46,929 17	57,804 14
Depreciation (3.5%)	15,820 00	16,975 00	19,740 00	22,085 00
Net for return	19,986 59	26,276 68	27,189 17	35,719 14
Return on average capital	4.42%	5.42%	4.82%	5.67%

*Includes estimated additions and betterments to June 30, 1920, only.

California Telephone and Light Company is a consolidation of a number of separate systems, each of which was built to supply the need for telephone and electric service in communities which the large utility companies had not found it profitable to enter. The territory in which it operates is widely scattered and, from a public utility standpoint, relatively unremunerative. As has been pointed out by this Commission in previous decisions, applicant can not expect to earn a normal return under present conditions and its logical hope for the future is in the encouragement of business on existing lines and

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the development of the territory served. It must, of course, be recognized that consumers living in a territory where utility service is expensive must expect to pay higher rates, but the extent to which applicant's rates can be raised is largely limited by the value of the service and the danger of imposing charges that will unduly limit future growth. Consideration is herein given to the reimbursement of applicant for increases in its expenses, rather than to increasing its earnings to a point that might be considered normal under more favorable conditions.

The greatest increases in applicant's operating expenses will be in the item of purchased power, and in labor charges. Increases in wages and salaries already granted will amount to approximately $9,700 per annum and on the basis of 1919 consumption the recently authorized rates of Pacific Gas and Electric Company for electricity sold to applicant would have increased its bills by approximately $2,500, making a total increase in these two items of slightly over $12,000 per year. To only a small extent do these increases appear to be temporary, and in my opinion the increased cost of operation should be reflected in a permanent modification of rate schedules rather than in further continuation of temporary surcharges.

Representatives of the city of Healdsburg appeared at the public hearing to protest any increase in the wholesale rate charged the city on the ground that by purchasing directly from the 60 kilovolt line of Snow Mountain Power Company, which passes within 800 feet of the city's substation, instead of through the intermediate system of California Telephone and Light Company, the service to the city would not be affected by increase of applicant's expenses. In considering this argument it must be remembered that in order to secure service in this way, it would be necessary for the city to install a transformer substation and guarantee a suitable minimum charge and that in providing transformer capacity and combining the business of the city of Healdsburg with its other business applicant is rendering a service for which it is entitled to reasonable compensation. Rates hereinafter set forth to be paid by city of Healdsburg have been established with these considerations in mind.

A committee from the Sonoma Business Men's Association, present at the hearing, called attention to the differential between the rates now charged by applicant in the city of Sonoma and by Great Western Power Company in adjacent territory and urged that rates now effective in Sonoma be not increased. While this contention has considerable merit, it must not be forgotten that the rates of Great Western Power Company in the territory adjacent to Sonoma would not, in all probability, be justified by a consideration of the business in this

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territory if segregated from the rest of the company's system and are apparently possible only because Great Western Power Company's operations cover a large territory, in much of which its business is more remunerative. As hereinbefore pointed out, the territory in which applicant operates is in general more expensive to serve than the territory covered by the systems of larger utilities which serve large cities and towns and the application of the rates of such utilities to California Telephone and Light Company could result only in the impairment and possible ultimate elimination of service in much of the territory now served. The rates herein authorized are such as to absorb the increased costs incurred by applicant.

I recommend the following form of order:

ORDER.

California Telephone and Light Company having applied to the Railroad Commission for authority to increase its rates and charges for electric service, a public hearing having been held, the matter submitted and being now ready for decision:

The Railroad Commission of the State of California hereby finds as a fact that the present rates and surcharges of California Telephone and Light Company are unreasonable, unjust and inadequate in so far as they differ from the rates hereinafter set forth, which are hereby found to be just and reasonable rates.

Basing its order on the foregoing finding of fact and on the findings of fact in the opinion preceding this order;

It is hereby ordered, that California Telephone and Light Company be and the same is hereby authorized to charge and collect for electric service the following rates effective based on all regular meter readings taken on and after the twenty-seventh day of August, 1920.

Provided, that California Telephone and Light Company shall on or before that date file with the Railroad Commission the schedules of rates for electric service herein established.

Provided, further, that in cases where former flat rate schedules are cancelled by meter rate schedules, California Telephone and Light Company shall charge the existing flat rates until necessary meters can be installed, but for not over 60 days.

Schedule L-1.

Cancels former schedules Nos. 1, 2, 3 and 5 and schedules A, B, C, D and E of former Mount Konocti Light and Power Company.

General lighting.

For the first 100 kilowatt hours per meter per month, 12 cents per kilowatt hour
For all over 100 kilowatt hours per meter per month, 6 cents per kilowatt hour

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Minimum charge.

In incorporated cities—$1 per meter per month. Outside of incorporated cities $1.50 per meter per month. Where the company is required to maintain a special transformer to serve one lighting consumer outside of incorporated cities the minimum charge shall be $2 per month.

Schedule L-2.

Cancels former schedule No. 4.

Summer cottage lighting.

Applies in the Russian River and Sonoma Valley districts to summer cottages and to resort hotels, bowling alleys, ice cream stands and similar business establishments of a seasonal character, 12 cents per kilowatt hour.

Minimum charge.

$12 per year, payable in advance. Where the company is required to maintain a special transformer to serve one lighting consumer outside of an incorporated city the minimum shall be $18 per year payable in advance.

Schedule L-3.

Cancels former schedules Nos. 6 and 11.

Street lighting service.

Includes installation and maintenance of all lamps and equipment and current for all night operation.

40 watt multiple or 60 candle power series lamps	$2 00 per lamp per month
60 watt multiple or 80 candle power series lamps	2 25 per lamp per month
80 watt multiple or 100 candle power series lamps	2 50 per lamp per month
150 watt multiple or 250 candle power series lamps	3 75 per lamp per month

Schedule C-1.

Cancels former schedule No. 9 and schedules M and N of former Mount Konocti Light and Power Company.

Heating and cooking.

Applicable to cooking, heating, incubating, etc., and to residence lighting in combination with cooking or heating and to single-phase motors not exceeding a total of 3 horsepower used in connection therewith, where cooking devices or incubators having a capacity of 2 kilowatts, exclusive of lamp socket devices, are installed and used. When no lighting service is included—

	Per kilowatt hour
For the first 100 kilowatt hours per meter per month	4.5 cents
For all over 100 kilowatt hours per meter per month	2.3 cents

When lights are supplied through the same meter:

	Per kilowatt hour
For the first 30 kilowatt hours per meter per month	12 cents
For the next 70 kilowatt hours per meter per month	4.5 cents
For all over 100 kilowatt hours per meter per month	2.5 cents

Minimum charge.

For the first 5 kilowatts of connected load $2.50 per meter per month. For each additional kilowatt of connected load 50 cents per meter per month. Each horsepower of motor capacity shall be considered as equivalent to one kilowatt.

Schedule P-1.

Cancels former schedules Nos. 7, 8 and 10 and schedules I and J of former Mount Konocti Light and Power Company.

General power.

	When the connected load is less than 10 h.p	10 h.p. or over
For the first 20 kilowatt hours per h.p. per month	6½c. per k.w.h.	6c. per k.w.h.
For the next 30 kilowatt hours per h.p. per month	4c. per k.w.h.	3c. per k.w.h.
For all over 50 kilowatt hours per h.p. per month	2½c. per k.w.h.	2c. per k.w.h.

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Minimum charge.

$1 per horsepower per month, but in no event less than $2 per month.

Special conditions.

1. At the option of the consumer, and on the signing of a contract for a term of not less than one year, the minimum charge will be $12 per horsepower per year and the rate will be:

	When the connected load is less than 10 h.p.	10 h.p. or over
For the first 200 kilowatt hours per h.p. per year	6½c. per k.w.h.	6c. per k.w.h.
For the next 300 kilowatt hours per h.p. per year	4c. per k.w.h.	3c. per k.w.h.
For all over 500 kilowatt hours per h.p. per year	2½c. per k.w.h.	2c. per k.w.h.

2. When energy is metered at the primary voltage and the consumer owns all necessary transformers and distributing lines, a discount of 15 per cent will be allowed on all bills under this rate.

Schedule P-2.

For service to the city of Healdsburg.

For the first 10,000 kilowatt hours per month	$2 75 per kilowatt hour
For the next 10,000 kilowatt hours per month	2 25 per kilowatt hour
For the next 10,000 kilowatt hours per month	2 00 per kilowatt hour
For all over 30,000 kilowatt hours per month	1 75 per kilowatt hour

Minimum charge.

$3,000 per year.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-sixth day of August, 1920.

DECISION No. 8007.

IN THE MATTER OF THE COMMISSION'S INVESTIGATION ON ITS OWN MOTION INTO THE RATES, RULES, REGULATIONS AND SERVICE FOR THE SUPPLY OF WATER BY A. B. SHAW.

Case No. 1334.

Decided August 26, 1920.

BY THE COMMISSION.

FIRST SUPPLEMENTAL ORDER.

The above entitled proceeding is a matter in which this Commission issued its order, Decision No. 7012, on January 9, 1920, requiring A. B. Shaw to install certain additions and improvements to the public utility water system operated by him in Pasadena Glen, Los Angeles County, and make certain changes in rates for service rendered by him, the requirements of said order being in part as follows:

1. That an additional water supply be developed and additional storage constructed at the upper portion of the glen, capable of giving adequate service to those consumers whose premises are at too great an elevation to receive proper service from the present reservoirs.

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2. That the reservoir adjacent to the reservoir of the Vosburg Water Company be so enlarged as to utilize to the greatest advantage the supply received by that company.

3. That detailed plans, showing how it is proposed to comply with the above order, be filed with this Commission not later than February 1, 1920, and the construction of these improvements shall be pursued diligently in accordance with the plans and specifications approved by the Commission and shall be completed not later than June 1, 1920.

The requirements with relation to rates, rules and regulations are not brought into question or changed in any manner in this supplemental order and are, therefore, not quoted herein.

Subsequent to the issuance of the order above referred to, A. B. Shaw did file plans as required therein. The plans as submitted were not satisfactory to consumers and accordingly protests were entered individually and collectively against their adoption.

A further investigation was thereupon made by representatives of the Commission's engineering department, and conferences were held with relation to a more satisfactory plan of procedure.

After a careful consideration of all of the facts and conditions, it appears advisable that the defendant herein should be required to first proceed with the development of the so-called Winifred Canyon source of water supply, and that if in this development a sufficient water supply is not obtained, together with the quantity of water obtained from the Vosburg Water Company because of the ownership of 100 shares of stock in that company, to meet the needs of his consumers, he shall then proceed to obtain an additional source of water supply as directed in Decision No. 7012 above quoted.

Careful consideration having been given to the documents filed as a part of this record, setting forth the plans for the development of an additional water supply, and the Commission being fully apprised in the premises;

It is hereby ordered, that that portion of the Commission's order in Decision No. 7012 above quoted, be and it is hereby rescinded and set aside, and in lieu thereof,

It is hereby ordered, that A. B. Shaw as owner of the water utility system supplying water to consumers in Pasadena Glen, Los Angeles County, California, be and he is hereby directed as follows:

1. To construct a reservoir of approximately five thousand (5000) gallons capacity on the eastern slope of the glen, with its top at approximately the elevation of the small reservoir known as Bath Tub reservoir, and arranged so that it will receive all water discharged from the so-called Winifred Canyon tunnel, with suitable piping to serve the consumers located in the upper portion of the glen.

2. To enlarge or supplement the so-called Square reservoir, adjacent to the reservoir of the Vosburg Water Company, by the construction

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of facilities for the storage of approximately five thousand (5000) gallons additional, to be so connected to the distribution system as will allow it to function in the same manner as does the Square reservoir.

3. To begin the construction indicated above immediately and prosecute it diligently to completion, all work to be finished by November 1, 1920, with such measures taken in the meantime as will provide a reasonable temporary service to all consumers.

4. To cause such daily inspection to be made and to exercise such supervision over the system as will insure continuous and adequate service to consumers.

5. To submit reports every two weeks, beginning ten days after the date hereof, and continuing until further notice, giving in affidavit form the progress of the work, the amount of water in storage, condition of service and any other pertinent information.

It is hereby further ordered, that should future experience demonstrate that the facilities constructed in accordance with paragraph numbered one (1) of this order are not sufficient to provide the adequate service specified, said A. B. Shaw shall proceed to develop an additional water supply and provide such additional storage capacity at such location and elevation as will insure adequate service to those consumers in that vicinity whose premises are at too great an elevation to receive proper service from the then existing facilities as provided in Decision No. 7012 herein.

It is hereby further ordered, that the original order in this proceeding (Decision No. 7012), save and except as modified in this supplemental order, shall be and remain in full force and effect.

Dated at San Francisco, California, this twenty-sixth day of August, 1920.

DECISION NO. 8008.

IN THE MATTER OF THE APPLICATION OF BOULDER CREEK ELECTRIC LIGHT AND WATER COMPANY, A CORPORATION, MOUNTAIN LIGHT AND WATER COMPANY, A CORPORATION, AND W. H. BISSELL AND J. C. HUGHES.

Application No. 5930.

Decided August 26, 1920.

J. C. Hughes, for Applicants.

DEVLIN, *Commissioner*.

OPINION.

Mountain Light and Water Company asks permission to sell to Boulder Creek Electric Light and Water Company for $55,000 all of its properties, more particularly described in Exhibit "A," attached

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hereto. Boulder Creek Electric Light and Water Company joins in the application and asks permission to purchase the properties, execute a mortgage or deed of trust to secure the payment of $50,000 of bonds, issue and sell the $50,000 and $5,000 of common stock in payment for the properties which it intends to acquire from Mountain Light and Water Company.

In brief, this application involves the consolidation of the properties of Boulder Creek Electric Light and Water Company and Mountain Light and Water Company. The record shows that J. C. Hughes and W. H. Bissell have recently acquired the outstanding stock of Boulder Creek Electric Light and Water Company and that they own all of the outstanding stock of Mountain Light and Water Company. The record further shows that the Mountain Light and Water Company operates in that portion of Santa Cruz County lying along both sides of the San Lorenzo River from the southern limits of the town of Glen Arbor, to the southern limits of the town of Boulder Creek, including all of the properties located in, near and between the towns of Glen Arbor, Riverside Park, Ben Lomond and Brookdale; that Boulder Creek Electric Light and Water Company operates in Boulder Creek and vicinity; that the towns and communities served by these two utilities are contiguous and that better service can be given if the utilities are consolidated.

In Decision No. 2958, dated December 4, 1915 (Vol. 8, Opinions and Orders of the Railroad Commission of California, page 615), the Railroad Commission authorized Mountain Light and Water Company to issue $25,000 of stock and $23,500 of bonds. In this application, applicants report the appraised value of the properties of Mountain Light and Water Company at $61,285.02. This amount is arrived at by using the figure, $49,518, appearing in Decision No. 2958, as representing the appraised value of the properties at the time the decision was rendered, adding thereto $8,167.02 expended for additions and betterments and $3,600 for nonoperative property. The appraised value of the properties of Boulder Creek Electric Light and Water Company are reported by applicants at $86,736.48. Adding the $86,736.48 to the reported appraised value of Mountain Light and Water Company properties, $61,285.02, makes a total of $148,021.50.

Boulder Creek Electric Light and Water Company asks permission to issue in payment for the properties of Mountain Light and Water Company $50,000 of bonds and $5,000 of stock, making a total of $55,000. The purchasing company reports $52,000 of stock outstanding. It has no funded debt and only a nominal amount of current indebtedness. Mountain Light and Water Company reported $25,000 of stock, $18,500 of bonds and $6,562.23 of notes outstanding. If this

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application is granted, the notes will be cancelled and the payment of the bonds assumed by Boulder Creek Electric Light and Water Company, which intends to reserve $18,500 of the $50,000 of bonds, which it asks permission to issue, to pay or refund the $18,500 of Mountain Light and Water Company bonds. Upon the consummation of the consolidation of these properties, there will be outstanding against the reported appraised value of $148,021.50, stock in the amount of $57,000, and $50,000 of bonds, making a total capitalization of $107,000.

Applicants estimate the operating revenues and expenses of the properties for 1920 as follows:

Operating revenues:	
From sale of water	$8,037 00
From sale of electricity	4,354 00
Total operating revenues	$12,391 00
Operating expenses:	
Labor	$3,000 00
Repairs and depreciation	1,700 00
Power	1,300 00
Incidentals	400 00
Total operating expenses	$6,100 00
Net receipts	$6,219 00

Boulder Creek Electric Light and Water Company asks permission to execute a mortgage or deed of trust to secure the payment of $50,000 of first mortgage 6 per cent serial gold bonds. Bonds in the amount of $2,000 are payable on the 15th day of August of each of the years 1923, 1924 and 1925; $4,000 on the 15th day of August of each of the years 1926, 1927, 1928, 1929, 1930 and 1931, and $20,000 of the bonds on the 15th day of August, 1932. The bonds are callable at 102. The mortgage or deed of trust will be a lien on the properties of Boulder Creek Electric Light and Water Company and also on those to be acquired by it from Mountain Light and Water Company.

I herewith submit the following form of order:

ORDER.

Mountain Light and Water Company, W. H. Bissell and J. C. Hughes having applied to the Railroad Commission for permission to sell all the properties of Mountain Light and Water Company to Boulder Creek Electric Light and Water Company, and Boulder Creek Electric Light and Water Company having asked permission to purchase said properties, to execute a mortgage and/or deed of trust, to issue $50,000 of 6 per cent serial bonds, $5,000 of stock and assume the payment of $18,500 of indebtedness, a public hearing having been held and the Railroad Commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably

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required for the purpose or purposes specified in this order, and that the expenditures for such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income;

It is hereby ordered, that Mountain Light and Water Company, W. H. Bissell and J. C. Hughes be and they are hereby authorized to sell to Boulder Creek Electric Light and Water Company for the sum of $55,000 all of the property of Mountain Light and Water Company more particularly described in Exhibit "A," attached hereto.

It is hereby further ordered, that Boulder Creek Electric Light and Water Company be and it is hereby authorized to purchase said properties of Mountain Light and Water Company, to execute a mortgage and/or deed of trust substantially in the same form as the mortgage and/or deed of trust attached to the petition herein and marked Exhibit "C"; to issue $50,000 of 6 per cent serial bonds and $5,000 of common stock, and assume the payment of $18,500 of outstanding bonds of Mountain Light and Water Company.

The authority herein granted is subject to the following conditions:

1. Of the bonds herein authorized to be issued, $18,500 shall be retained by the trustee under the mortgage and/or deed of trust herein authorized to be executed and shall be issued and sold by Boulder Creek Electric Light and Water Company for not less than par and only for the purpose of paying or refunding the $18,500 of outstanding bonds of Mountain Light and Water Company, or for such other purpose as the Railroad Commission may hereafter authorize.

2. The remaining $31,500 of bonds and the $5,000 of stock herein authorized to be issued may be delivered to Mountain Light and Water Company, W. H. Bissell and J. C. Hughes upon the transfer of the properties herein authorized and as part payment for such properties.

3. The consideration at which the properties are herein authorized to be transferred shall not be urged before this Commission or any other public body as a measure of value for said properties for rate-fixing or any purpose other than the transfer herein permitted.

4. The approval herein given of said mortgage and/or deed of trust is for the purpose of this proceeding only and an approval in so far as this Commission has jurisdiction under the terms of the Public Utilities Act, and is not intended as an approval of said mortgage and/or deed of trust as to such other legal requirements to which such mortgage and/or deed of trust may be subject.

5. Boulder Creek Electric Light and Water Company shall file with the Commission for approval, within thirty days after the transfer of the properties herein authorized, all book entries necessary to record the acquisition of the properties of Mountain Light and Water Company.

6. Within sixty days after the acquisition of the properties of Mountain Light and Water Company, Boulder Creek Electric Light

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and Water Company shall file with the Commission a certified copy of the deed under which it holds title to the properties.

7. Boulder Creek Electric Light and Water Company shall keep such record of the issue and sale of the bonds and stock herein authorized and of the disposition of the proceeds as will enable it to file on or before the twenty-fifth day of each month a verified report as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

8. The authority herein granted to issue bonds will not become effective until Boulder Creek Electric Light and Water Company has paid the fee prescribed in the Public Utilities Act.

9. The authority herein granted will apply only to such bonds and stock as may be issued on or before October 1, 1921.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-sixth day of August, 1920.

EXHIBIT "A".

Real and personal property situate in the County of Santa Cruz, State of California, particularly described as follows, to wit:

First—All that real property situated in the County of Santa Cruz, State of California, bounded and described as follows, to wit:

Being part of Sections Four (4) Five (5) and Eight (8) in Township Ten (10) South of Range Two (2) West of Mount Diablo Base and Meridian, and particularly described as follows, to wit:

Beginning in the middle of the County Road leading from Felton to Boulder Creek, at the southeast corner of lands of S. F. Van Winkle, now or formerly, from which point the one-fourth section corner of said Sections Four (4) and Five (5) bears South 86° West, one hundred and thirteen links distant, and a redwood stump marked "R.W.P." six feet in diameter bears South 72° East, 72 links distant; thence along the southerly boundary of said lands of S. F. Van Winkle, now or formerly, South 33° West, 38 links to a stake; South 58° West, 3 chains and 61 links to a stake; South 77° 45′ West, 34 links to a stake; North 21° 15′ West, 32 links to the west side of a large redwood stump marked "W", which stands on the top of the ridge north of Marshall Creek; thence continuing on said boundary and along said ridge, North 42° 53′ West; five chains and 56 links to a stake; North 70° 30′ West, 4 chains and 18 links to a stake; North 60° 45′ West, 7 chains and 41 links to a stake; North 70° 45′ West 6 chains and 14 links to a stake; North 53° West, 3 chains and 59 links to an oak tree ten inches in diameter marked "S"; North 50° 45′ West, 2 chains and 10 links to a stake; North 38° 30′ West, 3 chains and 87 links to a stake; North 61° 45′ West 2 chains and 50 links to a madrone stump "S" at the most westerly corner of said lands of S. F. Van Winkle, now or formerly, from which a redwood tree sixteen inches in diameter and marked "W.T." bears North 64° East 37 links distant, thence leaving said ridge and said boundary and along the boundary lands of Wesley Fanning, now or formerly, due South 14 chains and 4 links to a station in an old road on the north side of Marshall Creek, from which a witness post bears north fifteen links distant, and a redwood stump marked "W.P.B.L.Co." bears North 86° 30′ East 19 links distant; and thence along said road North 80° West 3 chains and 50 links to a station; South 77° 30′ West 2 chains and 30 links to a station; North 69° 45′ West 3 chains to a station; North 61° 15′ West 2 chains and 49 links to a station on the one-fourth section line north and south through Section five (5) above mentioned;

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from which a witness post bears South 0° 15′ East 9 links distant; and a redwood stump marked "R.W" three feet six inches in diameter bears South 49° East, 60 links distant; thence leaving said road and along said one-fourth section line South 0° 15′ East, 5 chains and 67 links to the center of said Section Five (5) from which point a redwood stump three feet and six inches in diameter marked "W.P.} 8" bears South 85° West 89 links distant, and a madrone ten inches in diameter marked "W.T.4S", bears North 12° East, 38 links distant; thence along the one-fourth section line East and West through said Section Five (5) North 89° 30′ East 14 chains and 6 links to a station on an open point about one hundred feet westerly of the southerly fork of Marshall Creek; thence leaving said quarter section line and on a line averaging one hundred feet westerly of said southerly fork of Marshall Creek south 47° West (at 0.35 chains a 4"x6" redwood post marked "B.L.L.Co." from which a redwood stump thirty inches in diameter marked "W.P.B.L.Co." bears South 84° East 27 links distant) 10 chains and 47 links to a stake; South 9° West 15 chains and 24 links to a stake on a rocky point; South 7° 15′ East 3 chains and 5 links to a stake marked "B.L.Co." from which a redwood eight inches in diameter marked "W.T.B.L.Co." bears North 6 West, 39 links distant; South 15° East 8 chains and 72 links to a stake from which a redwood stump three feet in diameter marked "W.P.B.L.Co." bears South 12° West thirty-three (33) links distant; South 12° 35′ West, 8 chains and 98 links to a stake on the section line between Sections Five (5) and Eight (8) aforesaid, from which a madrone fourteen inches in diameter marked "W.T.B.L.Co." bears South 8° West 87 links distant; thence along said section line South 88° 10′ West 4 chains and 60 links to the one-fourth section corner of Sections Five (5) and Eight (8) aforesaid, from which a redwood stump four feet in diameter bears North 73° East, 74 links distant, and another redwood stump marked "W.T.4S" bears South 51° West 31 links distant; thence along the one-fourth section line North and South through said section 8 and leaving the boundary of said Fanning's land; and to and along the boundary of lands formerly of R. W. Dean, South 15° East, 5 chains and 4 links to a stake from which a leaning redwood 18" in diameter marked "W.T" bears South 69° West 27 links distant; thence leaving said one-fourth section line North 39° 30′ East 1 chain and 59 links to a stake; North 66° East 93 links to a stake; North 73° East 70 links to a stake; North 69° 15′ East 1 chain and 90 links to a stake; North 92° 15′ East 83 links to a stake; North 49° 15′ East 1 chain and 30 links to a stake; North 33° 15′ East 1 chain and 30 links to a stake; North 22° 30′ East 89 links to a stake; North 34° 30′ East 2 chains to a stake; North 7° 15′ East 1 chain and 20 links to a stake; North 18° East 4 chains and 50 links to a stake in old skid road, from which a redwood stump four feet in diameter marked "W.P" bears South 80° West 12 links distant; North 8° 15′ East 3 chains and 41 links to a stake; North 2° 45′ East 2 chains and 34 links to a stake on top of a ridge; thence along said ridge North 27° East 95 links to a stake; North 39° East 2 chains and 23 links to a stake from which a madrone seven inches in diameter bears North 53° East 29 links distant; North 67° 15′ East 3 chains and 16 links to a stake; North 43° 30′ East 1 chain and 95 links to a stake; North 85° East 2 chains and 18 links to a stake; North 40° 30′ East 4 chains and 76 links to a stake from which a redwood stump "W" bears North 60° West 15 links distant; North 43° 30′ East 2 chains and 15 links to a redwood twenty inches in diameter marked "S.B.L.Co." the westerly corner of lands of Michael Costello, now or formerly; thence leaving said ridge and said lands formerly of R. W. Dean, and along the northerly boundary of lands of said Costello, now or formerly, North 46° 25′ East, 93 links to a redwood post marked "D.W.J.1." at the southeast corner of lands of Henry L. White, now or formerly; thence along the Southwest, Northwest and Northeast sides of said lands of Henry L. White, now or formerly, North 45° 30′ West, 17 chains and 80 links to a redwood post marked "D.W.J.2"; thence North 51° 30′ East, 8 chains and 79 links to the northwest corner of said lands of said Henry L. White, now or formerly; thence South 45° 30′ East 13 chains and 91 links to a station at the west corner of lands conveyed by Daniel W. Johnston and wife to Oscar A. Tolle; thence along the northwest boundary of said last mentioned lands North 46° 25′ East 11 chains and 72 links to the middle of the road leading up the south side of Marshall Creek; thence along the middle of said road South 63° 30′ East 1 chain and 88 links to a station; thence leaving said road South 43° 35′ East 2 chains and 35 links to a station on the northwest

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boundary of said lands of said Michael Costello, now or formerly, and thence along the northwesterly boundary of said last mentioned lands North 46° 25′ East 1 chain and 14 links to a stake on the southerly bank of Marshall Creek, from which a redwood stump four feet in diameter marked "W.P." bears North 11° West 9 links distant; North 58° 15′ East 3 chains and 12 links to a stake; South 89° 45′ East 2 chains and 97 links to the middle of the first mentioned County Road at a station in the middle of the bridge over said Marshall Creek, from which the westerly iron rod on the southerly side of said Bridge bears North 89° 45′ West 15 links distant; and thence leaving said Costello's boundary, and along the middle of said County Road, North 56° 30′ West 58 links to a station; and North 49° West 2 chains and 32 links to the place of beginning, containing 75.58 acres.

Reserving and excepting from the property firstly above described all those certain lots, pieces or parcels of land bounded and particularly described as follows, to wit:

(1) Being part of the Northeast quarter of the Southeast quarter of Section 5 Township 10 South Range 2 West, Mount Diablo Base and meridian, and bounded and particularly described as follows, to wit:

Beginning on the south side of the road leading up Marshall Creek at the northwesterly corner of lands conveyed by said Frederick A. Cody and Alta E. Cody, his wife, to Oscar A. Tolle, by deed dated March 7th, 1902, and recorded in the office of the County Recorder of said County of Santa Cruz, in Volume 146 of Deeds at page 199 et seq. thence along the Southerly side of said road leading up Marshall Creek Westerly Seventy (70) feet to a station; thence leaving said road Southerly two hundred (200) feet, more or less, to a station on the westerly boundary of said lands conveyed as aforesaid to Oscar A. Tolle, from which the point of beginning bears North 46° 25′ East two hundred (200) feet distant; and thence along said first mentioned boundary North 46° 25′ East two hundred (200) feet to the place of beginning.

(2) Being part of the Northeast quarter of the Southeast quarter of Section Five (5) Township Ten (10) South, Range Two (2) West, Mount Diablo Base and Meridian, and bounded and particularly described as follows, to wit:

Beginning on the summit of the ridge North of Marshall Creek on the southerly boundary of lands now or formerly of S. F. Van Winkle at a station from which a "W" on the west side of a large redwood stump bears South 42° 53′ East one hundred (100) feet distant, said stump marking the fifth station in the survey of the lands conveyed by Daniel W. Johnston and Julia Florence Johnston, his wife, to Frederick A. Cody, as set out in the deed conveying said lands, dated November 16th, 1901, and recorded in the office of the County Recorder of said County of Santa Cruz, in Volume 144 of Deeds at page 222 et seq.; thence from said point of beginning as above located and described along the said Southerly boundary of the lands of S. F. Van Winkle, North 42° 53′ West, fifty (50) feet; thence leaving said boundary South 47° 07′ West one hundred and thirty (130) feet, more or less, to a station thirty (30) feet Northerly from the northerly bank of Marshall Creek; thence along a line parallel to and thirty (30) feet northerly from said northerly bank of Marshall Creek southeasterly fifty (50) feet, more or less, to a station from which the point of beginning bears North 47° 07′ East one hundred and thirty (130) feet, more or less, to the place of beginning.

Also reserving from the property hereby conveyed all waters, rights and property conveyed by said grantors to E. A. Heron, Edgar Bishop and Guy C. Earl, by deed dated August 30, 1909, and recorded in the office of the County Recorder of Santa Cruz County, California, in Volume 218 of Deeds at page 192, et seq.

Also excepting two tracts of land as follows:

A tract of land bounded on the South, West and East by lands of Webb, White and Tolle, and on the North by the south side of the public road running along the south side of said Marshall Creek.

A tract of land lying between the north side of said Marshall Creek and the top of the first ridge running West from the Ben Lomond-Brookdale Road, and lying West of the lands of the Van Winkle Estate, and East of the reservoir of said water plant on said Marshall Creek.

Said two tracts of land so excepted being portions of the lands described in the paragraph marked "Third" in a deed made by Frederick A. Cody to the Mountain Light and Water Company recorded August 19th, 1914, in Volume 260 of Deeds,

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page 1 et seq. and are so situate East of said reservoir that no waters will ever drain therefrom into said Marshall Creek above the intakes or reservoir of said water plant, but are suitable for building locations only; but the bed and banks of said Marshall Creek adjoining said tracts of land, and all rights therein or thereto, and all springs and underground and other waters, water rights and privileges in any manner appurtenant thereto, and all rights of way for roads and pipes, pipe lines and other easements in and to said Marshall Creek and each and every portion of said two tracts of land are not excepted, but are retained, held and reserved to said water plant.

Second—Also all of that certain water works system, known as the "Ben Lomond Water Works", including all water rights and rights to water of the San Lorenzo River, and Dean and Marshall Creeks and the tributaries thereof, now owned by said party of the first part, and appurtenant to said water works, whether within the boundaries of or appurtenant to the above and foregoing described tract of land, or other lands of said party of the first part, or lands of other persons; also all reservoirs and reservoir sites, pipes, pipe lines, dams, aqueducts and conduits appurtenant to or used in connection with said water works, wheresoever situated. Intending to describe hereby and include herein all property rights, easements, franchises, privileges, betterments, adjuncts and appurtenances of whatsoever kind and nature belonging to said party of the first part and situated in said County of Santa Cruz, whether herein specifically enumerated or not, which now constitute a portion of said Ben Lomond Water Works, or that may hereafter be constructed or acquired therefor, or added thereto at any time while this instrument is in force and effect.

Third—All property of whatsoever kind or character, wheresoever situate, in any manner used by, connected with, or belonging, (either directly, indirectly or incidentally) to the water plant situated at and near the Town of Brookdale, Santa Cruz County, California, and which includes among other things, all springs and waters, including all underground waters, flowing or otherwise, on, over or under any lands situate in Sections 31 and 32 in Township 9, South Range 2, West M. D. B. & M.; also all water rights or privileges in or to Clear Creek and the San Lorenzo River, or the waters therein or in any of the branches or tributaries of said Clear Creek or said river, or in or to the waters therein, where said creek or river or branches are located in said Sections 31 or 32 aforesaid, except the rights in said San Lorenzo River heretofore conveyed by Brookdale Land Company, a corporation, or its predecessors in interest, by instruments of record in the office of the Recorder of the County of Santa Cruz, to A. H. Breed.

(*b*) Also, all rights of way and easements belonging to first party or utilized by it, or its predecessors in interest, for flumes, flume lines, pipes, pipe lines, reservoirs, spillways for reservoirs and overflows of waters therefrom, and other spillways for other flows from any portion of said water system, also for roads, trails, street, alleys and for all purposes in any manner necessary, required or convenient for the reasonable maintenance, operation, extension, improvement or repair of the water or light plants herein conveyed, also all necessary rights of ingress and egress to, from and over private properties in which said first party may now own, or may hereafter acquire any right, title or interest, or otherwise.

(*c*) Also, all reservoirs, flumes, dams, flume lines, intakes, pipes, pipe lines, mains, laterals, service pipes, spillways, drains, tools, implements, meters, machinery of every kind and character, water wheels, lumber and other materials of every kind and character owned by said first party, and now or heretofore used, or intended for the use, of said water plant, or connected therewith.

Fourth—All property of whatsoever kind or character, wheresoever situate in said County of Santa Cruz, in any manner used by, connected with or belonging (either directly, indirectly or incidentally) to the Electric Light Plant situate at and near the Town of Brookdale aforesaid, and which property included among other things, all waters, water rights or privileges, or other rights and privileges in and to the said Clear Creek and the San Lorenzo River; and the branches and tributaries thereof, and the waters therein, as set forth and described in subdivision (*a*) of paragraph marked "Third" herein;

Also, all rights of way and easements as set forth and described in subdivision (*b*) of the paragraph marked "Third" herein, and in addition thereto the same rights of way and easements for the wires, poles, pole lines, and for all other purposes in any manner connected with the maintenance, operation, extension,

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improvement and repair of said electric light plant, or any portion thereof, so far as can be done.

Also, all reservoirs, etc. as set forth in subdivision (c) of said paragraph marked "Third" herein, in any manner connected with said electric light plant, or operation thereof, and in addition thereto, all generators, dynamos, motors, exciters, switches, switchboards, meters, wires, poles, pole lines, insulators, and all other machinery, tools, implements, and materials in any manner connected with said electric light plant, wheresoever situate in said County of Santa Cruz.

Fifth—A perpetual right of way to lay pipes on, over or under the surface, or to construct or erect poles and pole lines, transformers, wires and any other equipment over and across, any and all streets, roads, walks, trails, or alleys of said Town of Brookdale, or on, over or across or under any property owned or possessed by said first party, or the said Brookdale Land Company, or which it or they may hereafter acquire, in or near said Town of Brookdale, and which may be deemed necessary, economical or convenient for the maintenance, operation, extension, improvement or repair of said water or light plants, or any portion thereof.

Sixth—Also, the following tract of land: Commencing at the northeastern corner of the lot conveyed by Brookdale Land Company to May L. Halstead by deed dated May 15, 1909, and recorded on the _____ day of _____ in Volume ____ of Deeds, page _____, records of said Santa Cruz County, which lot is situate on the west side of Cascade Street in said Town of Brookdale, and running thence North 18° 45′ East (Mag) a distance of about 110 feet to the southeastern corner of the lot conveyed by J. H. Logan and W. T. Jeter to Clara S. Ward by deed dated March 28, 1908, and recorded on the _____ day of _____ in Volume 203 of Deeds, page 544, records of said Santa Cruz County; thence running North 71¼° West to the center line of Clear Creek, thence Southerly following the center line of said Clear Creek to a point where said center line of said Cleer Creek intersects a line drawn North 57¾° West (Mag) from the point of commencement; thence along said line South 57¾° East to the point of commencement. Being designated as Lot 11, Block F, as the same is so marked and designated on the Map of Brookdale, Santa Cruz County, California, printed by the Union Lithograph Company of San Francisco, California; together with all improvements thereon, including also the mill-plant thereon, with all machinery and every other machinery of whatsoever kind or character, whether connected with said water and electric light plants or not; including all saws, tools, implements, belting, shafting, pulley, iron, lumber and all other equipment and materials of every kind and character on said premises or belonging thereto or connected therewith wheresoever situate in said County of Santa Cruz.

Seventh—The following described tract of land: Commencing at the point of intersection of the Easterly line of Reed Street in said Town of Brookdale, with the southerly line of the Southern Pacific Railroad right of way which said Reed Street shall be extended to said right of way by said Brookdale Land Company, and running thence Southerly along said easterly line of said Reed Street a distance of eighty (80) feet; thence running Easterly along a line parallel with said line of said right of way a distance of one hundred and fifty (150) feet; thence running Northerly along a line parallel with said easterly line of said Reed Street a distance of eighty (80) feet to said line of said right of way; thence running Westerly along said line of said right of way a distance of one hundred and fifty (150) feet to the point of commencement.

Eighth—A tract of land along the bed and banks of said San Lorenzo River, as said river is described in said paragraph marked "Third" herein, including all of said bed and banks not heretofore conveyed by said Brookdale Land Company, including the right to erect and construct a dam or dams across said river at one or more points for manufacturing, power, commercial or pleasure purposes and to thereby raise the water flowing in said river to such height as shall be necessary for either or all of such purposes.

Also, so much land adjoining the banks of said river as may be required for securing the foundations of said dams and for the erection of power houses and the necessary use thereof, provided, however, that the party of the first part, its successors and assigns, within one year from the first day of December, 1915, shall serve upon said Brookdale Land Company a notice in writing designating the lands adjoining the banks of said river as aforesaid required for such purposes,

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and file for record a copy thereof, duly acknowledged and certified, with the County Recorder of Santa Cruz County, State of California; it being agreed that should said first party fail to serve and file said notice as aforesaid, then all rights herein granted to select any lands adjoining the banks of said river as aforesaid, for the purposes aforesaid, shall become inoperative and void.

Also, the following tract of land: Commencing at a point on the northerly line of the right of way of the Southern Pacific Railroad Company due south of the point on the south bank of the San Lorenzo River where the sewer line of the Town of Brookdale leaves said bank to cross said river, thence running Easterly along said northerly line of said Southern Pacific right of way to the southwesterly corner of the lands owned by Mrs. R. C. Judkins, formerly Mrs. Emma Jenkins; thence running northerly along the northwesterly line of said lands of Mrs. R. C. Judkins to the northwesterly corner of said lands of Mrs. R. C. Judkins, and thence continuing in a straight line to the intersection of said line with the 1 16 section line of said Section 32, Township 9 South, Range 2 West, M. D. B. & M., said 1/16 section line being the north boundary line of the lands owned by the Brookdale Land Company; thence running West along said 1/16 section line to its intersection with the southerly bank of said San Lorenzo River; thence running Easterly along the southerly bank of said San Lorenzo River to its intersection with the said sewer line of said Town of Brookdale; thence running south to the point of commencement. It being understood that said party of the first part, its successors and assigns, shall have no right or power or authority to use any lands for dam foundations or for the erection of power houses upon any portion of the lands contained in this subdivision of paragraph "Eighth" which lies west of said sewer line where it crosses said river.

The word "banks" as used in this indenture when referring to the banks of the San Lorenzo River, shall be construed to mean and cover and include all lands lying on both sides of the bed of said river between the bed thereof and lines drawn along both banks of said river parallel to and two feet above the lines on the banks of said river reached by the waters flowing in said river during the period of highest flood; and in the event of one or more dams being erected across said river as aforesaid, then the word "banks" aforesaid, shall be construed to include any additional lands lying on both sides of the banks of said river, between the bed thereof and lines drawn along both banks of said river parallel to and two feet above the water level of the top of said dam or dams.

Nothing contained in this indenture shall be construed to grant any such property, privileges, or rights which said party of the first part has no right to grant.

Ninth—Two tracts of land consisting of one-half acre each adjoining the present sites of the two reservoirs now being used by said electric light plant and connected with the two power mains of said plant; said two tracts of one-half acre each to be selected by said first party within one year after the date of this indenture.

Tenth—Two rights of way each ten feet in width along the two power mains of said electric light plant running from said plant on said Lot 11, Block F, above described in paragraph marked "Sixth" herein, to the two reservoirs described in paragraph "Ninth" herein, being five feet on each side of the center line of each of said power mains; also, two rights of way each thirty feet in width running from said reservoirs described in said paragraph marked "Ninth" herein, along the flume lines connected with each of said reservoirs, respectively, to the respective intakes connected with said flume lines; also any additional land on either side of said rights of way, or any other rights of way, heretofore granted to party of the first part, necessary or proper to be used at any time to maintain proper and convenient slopes to any road, work, improvement, or development or use of any of said rights of way; subject to the right of Brookdale Land Company to construct roads across said rights of way in such manner as not to interfere with said pipes and flumes.

Eleventh—Also, the following tract of land: Beginning on the Township line between Township Nine (9) and Ten (10) South, at the corner of Township Nine (9) South Range Two (2) and Three (3) West, the same being the southeast corner of a tract of land heretofore conveyed by C. Hoffman to one Cooper; thence along the Township line North 89° 45′ East 10 chains and 95 links to the northwest corner of Township Ten (10) South Range Two (2) West, Mount Diablo Meridian; thence South 00° 35′ West 20 chains and 73 links to a stake; thence North 89° 33′ East 21 chains and 20 links to the center of the northwest

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quarter of Section Six (6), Township Ten (10) South Range Two (2) West; thence North 00° 40′ East 20 chains and 63 links to the aforesaid township line; thence North 89° 45′ East to a point forty feet East of the east bank of the Sweet Water Branch of Clear Creek; thence in a northeasterly and easterly direction along a line parallel with and forty feet distant from said easterly bank of said Sweet Water Branch of Clear Creek, and parallel with and forty feet distant from the southerly bank of Clear Creek to the point where such line intersects the south side of the wagon road on the south side of said Clear Creek; thence along said south side of said wagon road to the point where it intersects the east boundary line of Section 31, Township Nine (9) South, Range Two (2) West; thence along said East line of said Section Thirty-one (31) North 00° 10′ West to an oak tree 8 inches in diameter on top of the ridge north of Clear Creek, from which the quarter section corner between Sections Thirty-one (31) and Thirty-two (32) bears North 00° 10′ West 89 links distant; thence along the summit of said ridge North 54° 15′ West 1 chain and 57 links to a station; North 63° 15′ West 2 chains and 90 links to a stake; North 79° 15′ West 3 chains and 5 links to a madrone tree 10 inches in diameter North 82° 15′ West 1 chain and 59 links to a station; South 78° West 1 chain and 94 links to a redwood 18 inches in diameter; North 73° 30′ West 1 chain and 73 links to a station; North 64° 30′ West 4 chains and 38 links to a stake; North 82° 15′ West 3 chains and 90 links to a station; South 82° 15′ West 3 chains and 42 links to a stake and stone mound; North 72° West 79 links to a station; North 55° 55′ West 4 chains and 88 links to a station; North 42° 15′ West 1 chain and 88 links to a redwood 6 inches in diameter; North 73° 51′ West 7 chains and 62 links to a stake and stone mound; North 63° West 3 chains and 25 links to an oak 8 inches in diameter; North 66° West 5 chains and 59 links to a station; South 77° 15′ West 2 chains and 94 links to a station; North 83° 55′ West 5 chains and 62 links to a station; North 87° 45′ West 2 chains and 40 links to a station; South 76° West 5 chains and 1 link to a station; North 56° 15′ West 6 chains and 53 links to a station; North 74° 20′ West 3 chains and 22 links to a station; North 45° 15′ West 3 chains and 65 links to a station; North 42° 55′ West 7 chains and 73 links to a stake and stone mound; North 73° 45′ West 2 chains and 70 links to a station; North 58° 55′ West 5 chains and 35 links to a station; North 38° West 1 chain and 66 links to a station on the township line between Ranges Two (2) and Three (3) West; thence leaving said ridge North 4° 26′ East 8 chains along said township line to the corner of Section Thirty (30) Thirty-one (31) Twenty-five (25) and Thirty-six (36); thence South 82° 45′ West 43 chains and 84 links to the quarter section corner between Sections Twenty-five (25) and Thirty-six (36), Township Nine (9) South, Range three (3) West, from which a madrone tree 16 inches in diameter bears North 84° 30′ East 24 links distant and another madrone tree 2 feet in diameter bears North 80° East 12 links distant; thence due South 16 chains and 63 links to the northeasterly boundary of the Rancho San Vicente; thence along said boundary South 57° 15′ East 58 links to an oak tree marked "S.V.4"; thence South 2° West 2 chains and 2 links to a station at a corner of Lot Three (3) of said Section Thirty-six (36); thence along the boundary of said Lot Three (3) North 86° 22′ East 20 chains and 65 links to the Northeast corner of said Lot Three (3); thence South 2° 13′ West 19 chains and 65 links to a stake at the southeast corner of said Lot Three (3); thence due West along the south boundary of said Lot Three (3) 7 chains and 72 links to the middle of the County Road; thence along the middle of said road 38° 15′ East 5 chains and 45 links to a station; South 49° 15′ East 2 chains and 50 links to a station; South 27° East 1 chain and 90 links to a station; South 54° East 1 chain and 94 links to a station; South 41° East 2 chains and 50 links to a station; South 3° 30′ East 2 chains and 70 links to a station; South 50° 15′ West 2 chains and 80 links to a station; South 33° 20′ West 2 chains and 50 links to a station; South 26° 15′ West 2 chains and 20 links to a station South 33° 45′ West 3 chains to a station; South 28° 30′ West 2 chains and 50 links to a station; South 18° 30′ West 2 chains to a station from which a witness post bears due East 35 links distant; thence leaving said road and along the boundary of the aforesaid Cooper lot East 11 chains and 48 links to a stake; South 48° East 19 chains and 63 links to the place of beginning; containing over 600 acres.

Also a free and uninterruped use and occupation of the rights of way and privileges described and mentioned in that deed from E. P. Reed and wife to

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Irwin T. Bloom and Patrick Patton, dated June 28th, 1895, and recorded in the office of the County Recorder of said County of Santa Cruz, in Volume 107 of Deeds, at page 6 et seq., to which deed and the record thereof reference is hereby had for greater particularity.

Reserving and excepting therefrom the lot of land in the forks of the west and south branch of Clear Creek heretofore conveyed to Mrs. David Starr Jordan.

Twelfth—All rights and privileges which said first party may now own or have or may hereafter in any manner acquire in or to any of the property hereby conveyed, or any portion thereof, or any other property in any manner, for any purpose, necessary, proper or convenient for the maintenance, operation, extension, improvement or repair of said water or light plants, or any portion thereof, which may by virtue of any contractual or other right or interest be reserved to, or which may revert for any purpose or cause to said first party or to said Brookdale Land Company; also the right to enforce, collect and receive any such property rights or privileges to the same extent that said first party might or could do; but nothing herein contained shall grant any portion of the real estate, other than the water rights therein, conveyed by said Brookdale Land Company, or its predecessors in interest, to the County of Santa Cruz for the purpose of maintaining and operating a fish hatchery thereon.

Also, the right to enforce the full and complete performance in good faith of any and all restrictions and conditions of every kind and character set forth in any deed or other instrument which has heretofore, or which may hereafter be given by said Brookdale Land Company, or its predecessors in interest, or by its successors or assigns, conveying any right, title or interest in or to any property in said Town of Brookdale.

And also all the estate, interest, homestead, property and other claim or demand, in law or equity, which the Company now has or may hereafter acquire in and to the granted premises herein with the appurtenances.

DECISION NO. 8009.

IN THE MATTER OF THE APPLICATION OF CALIFORNIA WHARF AND WAREHOUSE COMPANY, CALIFORNIA NAVIGATION AND IMPROVEMENT COMPANY, CALIFORNIA PACKING CORPORATION, DICKINSON-NELSON COMPANY, GIRVIN WAREHOUSE COMPANY, AND UNION ICE AND STORAGE COMPANY FOR AUTHORITY TO INCREASE RATES FOR STORING AND HANDLING COMMODITIES IN WAREHOUSES LOCATED AT STOCKTON.

Application No. 5926.

Decided August 26, 1920.

L. A. Bailey, for Applicants.

MARTIN, *Commissioner*.

OPINION.

Applicants herein request authority to increase rates for storing and handling bags, beans, grain, potatoes, onions and seeds, as set out in Exhibit "A" accompanying the application; also to establish uniform rules and regulations governing the operation of applicants' warehouses at Stockton. Increases and adjustments proposed affect, in the main, warehouse service as distinguished from storage, the latter, where involved, ranging, as to the chief commodities handled, from 25 to 50 per cent higher than present rates. Reductions in several instances, together with new rates covering service not embraced in applicants' existing schedules, are also included in the proposed tariff

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adjustments. Higher charges proposed for handling commodities directly through warehouses, and for weighing and moving same from place to place for the convenience of the owner, are, it is alleged, justified by the facts in each instance.

The record shows that the present rates of applicants were authorized under Decision No. 5623, dated July 26, 1918, which permitted the establishment of handling charges based upon conditions then existing, since which time it is claimed the cost of warehouse labor has advanced exactly 25 per cent. The following table shows the scale of wages in effect at applicants' warehouses from time to time since June, 1918:

Ordinary Warehouse Labor.

Date	8-hour day	Overtime	Foremen
June 1, 1918	$4 00*	75 cents per hour	$110 per month
June 1, 1919	4 50*	84½ cents per hour	125 per month
June 1, 1920	5 00*	93¾ cents per hour	150 per month

*Weighers and checkers 50 cents per day additional.

In addition to these direct increases which applicants have been obliged to pay to keep up a proper standard of warehouse service, it is alleged that employers' liability insurance has further burdened the payroll and that there has been a "continued decline in the efficiency of labor." Other increased operating costs involving repairs, supplies, clerical assistance, taxes and overhead are cited by applicants in support of their petition.

A hearing on the application was held in Stockton on August 8, 1920, at which time sundry exhibits were submitted and detailed testimony offered on behalf of individual applicants. Financial statements—being Exhibit No. 1 in each instance—for the year ending May 31, 1920, show the following facts and operating results as to each utility for that period:

Table No. 1.

	Warehouse Investment	Gross revenue	Direct expense	Loss or gain
Cal. Navigation & Improvt. Co..	$92,656 42	$24,994 43	$23,499 57	$1,494 86
Cal. Wharf and Warehouse Co.__	50,000 00	16,345 33	12,293 94	4,051 59
Cal. Packing Corporation _____	(Lease)	7,614 55	8,638 08	1,023 53*
Dickinson-Nelson Company _____	28,140 58	6,704 62	6,725 11	20 49*
Girvin Warehouse Company____	(Lease)	56,745 50	62,703 83	5,958 33*
Union Ice and Storage Co.____	50,000 00	7,275 92	9,223 89	1,947 97*

*Loss.

The above figures (excluding investment column) cover operations alone, and do not include depreciation of equipment and buildings where owned by applicants nor interest on investment in warehouses and facilities. In most instances applicants are engaged in other lines of business more or less closely connected with warehousing, but the

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testimony shows that a strict line of demarkation has been drawn and that revenues and expenses arising from nonpublic utility operations have been carefully excluded or accurately apportioned in accordance with generally approved methods.

Combined Exhibit No. 2 shows in part with reference to each applicant, annual depreciation plus interest on investment, approximate increased revenue under rates proposed, increased cost of labor for current season, and resulting profit or loss for the year ending May 31, 1921, based upon tonnage handled during the 1919–1920 season. The important features of this exhibit follow:

Table No. 2.

	Gross additional revenue year ending May 31, 1921	Additional labor expense as increased June 1, 1920	Net increase in revenue under rates proposed	Depreciation and interest
Cal. Nav. & Imp. Co.-	$5,485 00	$2,782 50	$2,702 50	$9,112 51
Cal. Whf. & Whse Co.	1,684 29	1,376 58	307 71	8,375 00
Cal. Packing Corp.-	1,887 00	627 50	1,259 50	----------
Dickinson-Nelson Co.-	2,812 03	532 75	2,279 28	3,610 83
Girvin Warehouse Co.-	7,451 50	5,108 00	2,343 30	----------
Union Ice & Stor. Co.-	1,893 25	763 50	1,129 75	6,496 55

An examination of the above table in connection with Table No. 1, shows that the estimated net increase in revenue for the season ending May 31, 1921, would in two instances fail to cover existing deficits; would barely meet the alleged loss of California Packing Corporation and in the other three cases show operating returns by no means abnormal. Taking into account the figures showing depreciation—rated in exhibits at 5 per cent, or less—and interest on investment at 8 per cent, each applicant, with the exception of California Packing Corporation (which has no investment in warehouses), would at the end of the current storage season again show a substantial deficit.

In support of the contention of applicants that warehouse labor obtainable at Stockton is inefficient, several witnesses were agreed that there could be no question of the fact, but as to the degree of inefficiency there was considerable divergence of opinion. One witness testified that warehouse crews of today have in some instances been shown by actual test to consume the same time in piling 400 sacks of grain as was formerly required to pile 600 sacks, or 33⅓ per cent loss in efficiency. The testimony also showed that while warehouse labor can be had at Stockton for 62½ cents per hour, 80 cents per hour for the same class of work is paid at Port Costa, where one of the applicants operates other warehouses. Facts developed, however, were not conclusive as to whether this disparity of wages would account for the alleged remarkable inefficiency of labor at Stockton.

Following its usual practice, the Commission, in addition to giving general notice as to these applications when filed, required applicants

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to publish notices of the hearing in the local Stockton press and also to notify each patron of the warehouses involved. No one appeared at the hearing in opposition to the proposed schedules and no protest against granting the request has been received by the Commission.

From the foregoing statements and from general conditions surrounding the service, I am of the opinion that the proposed increases and other changes have been justified and should be authorized.

I suggest the following form of order:

ORDER.

California Wharf and Warehouse Company, California Navigation and Improvement Company, California Packing Corporation, Dickinson-Nelson Company, Girvin Warehouse Company and Union Ice and Storage Company, having applied to this Commission for authority to increase and adjust warehouse rates and to establish uniform regulation for warehouse service at Stockton, a hearing having been held thereon, the matter having been submitted, and the Commission being fully advised as to the merits of the request:

It is hereby found as a fact that the warehouse schedules now in effect by applicants are inadequate and that the rates and regulations therein set forth, in so far as they conflict with those herein established, are noncompensatory, unjust and unreasonable.

It is further found as a fact that the rates, rules and regulations hereby authorized are just and reasonable for the services to which they apply.

Basing this order upon the foregoing findings of fact and upon statements contained in the opinion preceding this order;

It is hereby ordered by the Railroad Commission of the State of California, that California Wharf and Warehouse Company, California Navigation and Improvement Company, California Packing Corporation, Dickinson-Nelson Company, Girvin Warehouse Company and Union Ice and Storage Company be and they are hereby authorized to publish and file immediately and thereafter enforce for warehouse service at Stockton rates, rules and regulations set forth in Exhibit "A" accompanying and made a part of the application.

This opinion and order is hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-sixth day of August, 1920.

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DECISION No. 8011.

IN THE MATTER OF THE APPLICATION OF J. L. RANDOLPH, DOING BUSINESS UNDER THE NAME OF TURLOCK HOME TELEPHONE AND TELEGRAPH COMPANY, FOR AUTHORITY TO INCREASE RATES FOR TELEPHONE SERVICE; AND FOR AUTHORITY TO EXECUTE A MORTGAGE OF ALL HIS PROPERTY TO SECURE PAYMENT OF A PROMISSORY NOTE.

Application No. 5487.

Decided August 27, 1920.

TELEPHONE SERVICE—RATES—FARMER LINES.—Due to complaints as regards inadequate service rendered by applicant, increases in rates are conditioned upon applicant immediately improving operating conditions and rendering satisfactory service and also providing that not more than ten subscribers shall be connected with any one farmer line, it being found that satisfactory service at slightly higher rates is more desirable than an inefficient service at lower rates.

Applicant authorized to mortgage his property and issue a note in the sum of $15,000, of the proceeds $3,200 to be used to discharge outstanding obligations, the balance for additions and improvements to plant.

A. B. Rochl, for Applicant.

Wm. N. Graybeil, for Protestant.

BRUNDIGE, *Commissioner*.

OPINION.

Mr. J. L. Randolph, who is furnishing telephone service in the city of Turlock and adjacent territory under the name of Turlock Home Telephone and Telegraph Company and who will hereinafter be referred to as the applicant, in Application No. 5487, asks the Commission's authority to increase rates for telephone service, alleging that its present rates are inadequate to meet the increased cost of labor and material and at the same time yield a fair return upon the present value of the plant; for authority to execute a mortgage on all the telephone property of the applicant, as set forth in Exhibit B, to the First National Bank of Turlock to secure the payment of a promissory note for fifteen thousand (15,000) dollars, bearing interest at the rate of seven (7) per cent per annum and maturing December 31, 1920.

The record shows that applicant proposes to use the proceeds from the issue of the note to refund a $3,200 promissory note dated December 1, 1919, in favor of First National Bank of Turlock, to acquire property and to extend its facilities so as adequately to meet present demands and future needs of the public.

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The present and proposed monthly rates as set forth in Exhibit "D" are as follows:

	Business		Residence	
	Present	Proposed	Present	Proposed
Main line, wall	$2 50	$3 50	$2 00	$2 50
Two-party line, wall	----	3 00	----	2 00
Four-party line, wall	2 00	----	1 50	1 75
Suburban line, wall	1 50	3 50	1 50	3 00
Extension, with bell	1 00	1 00	1 00	1 00
Farmer lines	37½	50	37½	50

NOTE—Desk telephones 25 cents additional on all classes of service, except farmer lines; grabaphones 50 cents additional on all classes of service except farmer lines. Each farmer line must produce a minimum revenue equivalent to five subscribers per line under proposed rates.

It is proposed to charge the following mileage outside of the primary rate area for each quarter mile or fraction thereof based upon the airline distance from the primary rate area:

Main line 50 cents.
Two-party line 35 cents.
Four-party line 25 cents.

A hearing was held in Turlock on April 28, 1920. At the hearing the applicant submitted a valuation of the property and presented a statement showing the revenue and expenditures during the year 1919, together with the increase in revenue under the proposed rates.

The Commission's engineers and a representative of the applicant made a new inventory of the plant and the former made and presented an independent valuation of the used and useful property of the applicant. After analyzing the appraisals submitted by the applicant and the engineers of the Commission, I am of the opinion that for rate making purposes, a fair valuation of this property as it existed at the time the appraisals were made would amount to approximately thirty-one thousand (31,000) dollars. It is impossible to determine accurately, at this time, the increase in fixed capital after the proposed construction work is completed. This amount should be thirty-one thousand (31,000) dollars plus the amount expended for additions and betterments, minus the value of the portions of the plant retired from service. The books of the applicant should be set up so as to show these transactions in detail and these accounts at all times will be subject to the inspection and the approval of the Commission.

The gross revenue of the applicant for the year ending April 1, 1920, was nineteen thousand seven hundred ninety-six (19,796) dollars. Allowing for an increase in revenue of 10 per cent due to increased volume of business during the coming year, the total revenue would amount to twenty-one thousand seven hundred seventy-five (21,775) dollars.

A careful estimate of the annual expenses which the applicant will have to meet beginning July 1, 1920, amounts approximately to twenty-three thousand (23,000) dollars. This reflects a material

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increase in expense over previous years due to a necessary reorganization of the operating and the accounting departments in order that the service to the public may be greatly improved. It is apparent that even if the anticipated increase in the volume of business is fully realized the applicant still would be unable to earn a fair return under the present rates.

In my opinion there is no justification for increasing the rates to the figure requested by the applicant or for modifying the rules and regulations, as asked for in the application.

I recommend that the Commission order the company to offer the following classes of service and authorize the following rates:

	Per month	
	Business	Residence
Main line, wall	$3 25	$2 50
Two-party line, wall	2 50	2 25
Four-party line, wall	2 25	2 00
Suburban line, wall, ten-party	2 50	2 25
*Extension, with or without bell	1 00	1 00
Extension bells only	25	25
*Farmer lines	1 00	50

Desk telephones are 25 cents additional, and grabaphones 50 cents additional per month, on all classes of service except those marked with an asterisk. All rates, except extension bells and those marked with an asterisk, are subject to a discount of 25 cents if paid on or before the tenth day of the month in advance.

The following mileage charge may be made outside of the city limits based upon the air-line distance from the primary rate area:

Main line, 50 cents per month per quarter-mile or fraction thereof.
Two-party line, 35 cents per month per quarter-mile or fraction thereof.
Four-party line, 25 cents per month per quarter-mile or fraction thereof.

The primary rate area shall be defined as the city limits of Turlock.

All miscellaneous rates not provided for in this schedule shall be submitted to the Commission for its approval. All services, rules, and regulations not covered in this opinion shall remain as provided for in the Commission's Decision No. 2879, decided November 5, 1915.

Service and rates.

The service furnished by the applicant was criticised during the hearing. It appeared from the testimony that the organization responsible for the maintenance and operation of the system was not large enough to give the best service. The applicant stipulated that he would put into effect such changes as were necessary to give first-class service. This necessarily has increased and will increase operating expenses very materially and necessitates higher rates, but it has been my observation that the public prefers paying slightly higher rates for good service to having lower rates with inferior service.

While applicant's present rates limit the number of stations which may be connected to any circuit, other than farmer lines, this maximum

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number has been exceeded in certain cases. This practice should stop, and within ninety (90) days of the date of this order, all such conditions should be removed.

A telephone company can not be expected to render good service if the farmer lines which connect with the company's exchange are not properly built and maintained. For this reason I recommend that applicant be authorized to refuse to permit any farmer line to connect with his system one year from the date of this order having more than ten (10) subscribers upon it, or which does not conform to standards of construction or maintenance consistent with good telephone practice. The subscribers or the applicant shall refer any disputes over this recommendation to the Commission for settlement.

The applicant has made no provision for replacement of plant as it becomes necessary to do so. It is my opinion that the plant has reached the age where this is an unsound policy and that in the future a depreciation fund should be set aside and so held that money will be available for this purpose and should be used for no other purpose without the consent of this Commission.

I recommend the following form of order:

ORDER.

J. L. Randolph, furnishing telephone service to the city of Turlock and surrounding territory under the name of Turlock Home Telephone and Telegraph Company, having filed with this Commission his application for an increase of rates and for authority to issue a note secured by mortgage with which to secure money to make additions and extensions to his property, a hearing having been held, the matters having been submitted and the Commission basing its conclusions on the foregoing opinion, finding as a fact that the rates authorized and the classes of service prescribed in this order are just and reasonable; and it appearing to the Railroad Commission that the money, property or labor to be procured or paid for by the issuance of said note and mortgage is reasonably required for the purpose specified in the order and that the expenditures for such purposes are not in whole or in part reasonably chargeable to operating expenses or to income;

It is hereby ordered, that the applicant is authorized to file with the Commission within thirty (30) days of the date of this order a schedule of rates and services as outlined in the foregoing opinion and, upon approval, may be established in this exchange. Applicant is authorized to put these rates into effect subject to the following conditions:

(a) Adequate and efficient telephone service must be rendered at all times for all classes of service.

(b) A depreciation reserve of $1,920 per annum in installments of $160 per month shall be set aside in a special fund for the purpose of

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maintaining the plant in good condition and shall be used for such purpose only or as may be authorized by the Commission.

(c) The stipulations made by Mr. Randolph, through his attorneys, concerning the operating force and the accounting department shall be fulfilled within ninety (90) days of the date of this order.

(d) Effective ninety (90) days from the date of this order, no telephone line shall have more subscribers connected thereto than is specified in the schedule of rates herein authorized for the particular class of service furnished.

It is hereby further ordered, that J. L. Randolph be and he is hereby granted authority to execute a mortgage upon his public utility property described in Exhibit "B" attached to the petition herein, to secure the payment of a seven (7) per cent promissory note due December 31, 1920, in the principal amount of fifteen thousand (15,000) dollars, such mortgage to be substantially in the form as that attached to the petition herein marked Exhibit "E."

The authority herein granted to execute a mortgage and to issue a note is subject to the following conditions:

1. $3,200 of the proceeds from the note herein authorized shall be used to refund the $3,200 note dated December 1, 1919, in favor of First National Bank of Turlock, and the balance, $11,800, for the acquisition of the property and the extensions and improvements required in Exhibit "C" filed with the application herein.

2. The approval herein given of said mortgage is for the purpose of this proceeding only, and an approval in so far as this Commission has jurisdiction under the terms of the Public Utilities Act, and is not intended as an approval of said mortgage as to other legal requirements to which said mortgage may be subject.

3. Within thirty (30) days after the execution of the mortgage herein authorized, applicant shall file with the Railroad Commission a verified copy of such mortgage.

4. J. L. Randolph shall keep such record of the issue of the note herein authorized and of the disposition of the proceeds as will enable him to file on or before the twenty-fifth day of each month a verified report as required by the Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

5. The authority herein granted shall not become effective until applicant has paid the fee prescribed by Section 57 of the Public Utilities Act.

6. The authority herein granted to issue a note and to execute a mortgage shall apply only to such note as may be issued and to such mortgage as may be executed on or before December 31, 1920.

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The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-seventh day of August, 1920.

DECISION No. 8012.

THE VALLEJO METAL TRADES COUNCIL

vs.

THE SIX MINUTE FERRY CORPORATION OF CALIFORNIA.

Case No. 1428.

Decided August 27, 1920.

C. S. Beardsley and *W. G. Luper*, for Complainant.

W. H. Morrissey, for Defendant.

LOVELAND, *Commissioner*.

OPINION.

Complainant alleges that the fare of 2½ cents one way and 5 cents for the round trip for the transportation of passengers between Vallejo and Mare Island via the Six Minute Ferry, Inc., is excessive and exorbitant and should be reduced to 1½ cents per trip, or 3 cents for the round trip. This demand was modified in the final brief by the suggestion that a one way fare of 2 cents and a round trip fare of 4 cents be established by the Commission.

Defendant in answering the complaint denied that the rate charged was either excessive or exorbitant but on the contrary alleged that it was inadequate and unremunerative and that a fair, just and adequate rate would be 3 cents one way and 6 cents round trip.

Prior to the incorporation of the Six Minute Ferry the service between Vallejo and Mare Island was conducted by an organization known as The Association of Mare Island Employees. The transportation service being partly under federal control because of the use of government property at Mare Island and by the further fact that the association operated under contract with the federal government, tariffs were not filed with this Commission until early in 1917 when Local Passenger Tariffs No. 1 was published. This tariff carried a round trip fare of 5 cents and an individual monthly commutation fare of $1. It appears from the testimony that originally practically all of the passengers handled by the association were employed at the Mare Island navy yard, they were personally known to the officials operating the boats, and the practice grew up of charging $1 per month with the privilege of as many round trips per day as the

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holder of the commutation ticket might find necessary. The commuters were therefore permitted to return to Vallejo for lunch and when working overtime at night would make other round trips.

Following our entrance into the world war, the tariff was withdrawn because of restrictions imposed and of the control exercised by the naval officials at the Mare Island yards.

At the present time two tickets are sold for 5 cents, one collected when the passenger boards the boat going to Mare Island and the other on the boat before the passenger lands at Vallejo, the effect of the rate being to assess a charge of 2½ cents per trip.

In July, 1919, there was completed a causeway between Vallejo and Mare Island which is now in general use by foot passengers and auto busses and it is expected that in the very near future the electric railway will extend its services to the island. Immediately following the opening of the causeway, large numbers of men used it in going to work in the morning but returned to Vallejo by the boat, paying nothing for the ferry service. This for the reason that prior to January 2, 1920, passengers returning from Mare Island were carried without tickets, it originally being the practice to collect for the transportation on the going trip on the theory that all passengers returning from the island had paid the tariff charge. It will thus be seen that after the causeway was completed, it was possible to use the boats of the ferry company without making any payment whatsoever. Effective January 2, 1920, gates were put into use on the boats and ticket collectors employed, making it impossible for those reaching the island over the causeway to return to Vallejo without paying the established fare. The change, however, resulted in an operating expense for gatekeepers and ticket sellers of more than $500 per month.

Complainant presented the testimony of two witnesses who were of the opinion that the monthly commutation rate should not be in excess of 75 cents. It also introduced a statement estimating the operating revenues and expenses of the company, the figures furnished being based in part upon information received from officials of the ferry company and from the observations of different members of complainant's organization. With these estimates it reached the conclusion that the ferry company was at this time making very large net profits. The estimates of complainant are very incomplete, purely speculative, and do not represent actual operating expenses, and therefore can not be relied upon in reaching a conclusion in this proceeding.

Defendant by the testimony of its witnesses and the introduction of exhibits showed that after taking into consideration every element of expense, including insurance, taxes, depreciation to vessels, wharves and buildings, there was an actual deficit of $760.69 for the month of May, 1920. In addition it makes the claim that the sum of $300 per

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month should be set aside to cover probable losses due to injury to passengers. This would make a total deficit of $1,060.69. The amounts claimed for depreciation appear excessive but if all of this depreciation and casualty insurance were eliminated, the net profits would not be excessive.

The service rendered by defendant is under contract with the federal government, which imposes certain obligations and restrictions and is of a hazardous nature. It is also confronted with a decrease in business due to competition with the causeway between Vallejo and Mare Island. In addition to operating the service between Vallejo and Mare Island defendant operates a passenger boat between Morrow Cove near Vallejo and Crockett and there is no exact basis for dividing the overhead expenses as between these two arms of the service. I am convinced, however, that the administration charges against the Vallejo and Mare Island line are not excessive or unreasonable and that the statement of total operating cost for handling the service between the points in question is not greatly out of line.

Defendant entered a counter claim for a 6 cent fare but its testimony no more justifies an increasing of the fare from 5 cents to 6 cents than does the testimony of the complainant justify a reduction in the fare from 5 cents to 4 cents. The present rate has not been proven unreasonable nor does it produce an excess of revenue above that required to meet the costs of operations including a fair allowance for interest on the investment.

The proceeding will be dismissed.

ORDER.

The Vallejo Metal Trades Council having filed its complaint against the Six Minute Ferry, Inc., and a hearing having been held, and being fully apprised in the premises;

It is hereby ordered, that the said complaint be and the same is hereby dismissed.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-seventh day of August, 1920.

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DECISION No. 8013.

IN THE MATTER OF THE APPLICATION OF SAN JOSE RAILROADS, A CORPORATION, FOR PERMISSION TO ABANDON ITS NARROW-GAUGE LINE BETWEEN LINDA VISTA AND TOYON STATIONS, IN THE COUNTY OF SANTA CLARA, STATE OF CALIFORNIA.

Application No. 4581.

Decided August 27, 1920.

ABANDONMENT—STREET CAR SERVICE.—Upon a showing by applicant that it is operating its Toyon branch at a direct operating cost of $10.30 per day, not including depreciation, maintenance, etc., and that the average revenue per day amounts to only 61.1 cents, it is authorized to abandon the operation of such branch ten days after posting notice thereof at each terminal.

Leib and Leib, for Applicants.

J. W. Walker, for J. H. Moise, Protestant.

Mrs. Mabel L. Cheman, for residents of East Side, Protestants.

Mrs. L. Emerson, Protestant.

Miss Rose Kauffman, Protestant.

Mrs. A. B. Chamberlain, Protestant.

BY THE COMMISSION.

OPINION.

San Jose Railroads, a corporation, have petitioned the Railroad Commission for an order authorizing the suspension of operation and abandonment of its narrow-gauge line of railway operating between Linda Vista and Toyon in the county of Santa Clara, it being alleged that the revenue derived from the operation of the line does not justify its continued maintenance and operation.

A public hearing on this application was held by Examiner Handford at San Jose, the matter was duly submitted and is now ready for decision.

The matter of the proposed abandonment of the Linda Vista-Toyon branch of the San Jose Railroads was the subject of a previous application to the Commission under Application No. 3817. The Commission in its Decision No. 5677, decided August 10, 1918 (Opinions and Orders of the Railroad Commission, volume No. 15, page 1062), dismissed the application without prejudice for the reason that an increase in rates had been made on the lines of the San Jose Railroads shortly prior to the former application for discontinuance of service on the Linda Vista-Toyon branch and permission to abandon the line was withheld subject to the right of applicant to file further application for abandonment at the expiration of ninety days should it be found that the condition of traffic had not improved to an extent justifying the continuance of operation.

The testimony in this proceeding and the exhibits filed by applicant indicate that for the year ending June 5, 1920, a total of 3227 passengers were carried, of which number 1,685 paid cash fares to the

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amount of $256.03, 1569 passengers using tickets or transfers. The average number of passengers carried per day was 10.18, 58 one-way trips being made per day with an average number of passengers per trip of 0.175. The expense of operation, making no allowance for depreciation, superintendence, overhead expense or interest on investment, amounts to $10.30 per day with a gross revenue allowing six cents for each passenger carried, or 61.1 cents per day; a net loss from daily operation of $9.69 or a net loss per annum of $3534.39. The record, as evidenced by exhibits introduced at the hearing on this proceeding, indicates that less patronage has been furnished the line sought to be abandoned than was the case when the matter of abandonment was being considered in connection with the former Application No. 3817 and increased operating expenses, both as to labor and cost of material, have contributed to an increasing deficit which has not been offset by any increase in travel notwithstanding that an increased fare was authorized covering the entire system operated by the San Jose Railroads.

The granting of this application is opposed by the residents who are now served by the line on the basis that abandonment of service will leave such protestants without any method of transportation. The line sought to be abandoned is but 1.45 miles in length; is in poor physical condition and would require an expenditure of approximately $24,000 to rehabilitate same to a proper standard. The operation of the entire system of the San Jose Railroads has resulted in a deficit for some years and there appears no possibility of continuing the operation of the branch line herein sought to be abandoned for the reason that the use of one-man cars and all other possible economies have already been made effective without producing a revenue sufficient to defray the actual costs of operation from which are eliminated the items of overhead, superintendence, depreciation and any interest on investment. The traffic on the line, even at increased rates, is growing gradually less and the applicant should not be required to further continue the operation of this unprofitable branch line.

After careful consideration of all the evidence in this proceeding, we are of the opinion and find as a fact that the continued operation of the Linda Vista-Toyon branch of the Santa Jose Railroads is not justified in that the revenue derived from its operation does not even approximate the expense of continued maintenance and operation even after deducting all items of overhead, superintendence, depreciation or interest on investment.

ORDER.

San Jose Railroads, a corporation, having applied to the Railroad Commission for an order authorizing the discontinuance of service and abandonment of its narrow-gauge line of railroad known as the

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Linda Vista-Toyon branch; a public hearing having been held, the matter having been duly submitted, the Commission being fully advised, and basing its order on the findings of fact as appearing in the proceeding opinion;

It is hereby ordered, that this application be and the same hereby is granted; provided, however, that prior to the suspension of operation as hereinabove authorized applicant will be required to post notices at the terminals of Toyon and Linda Vista and in its cars operated on said line at least ten days prior to the date of suspension of operation for the information of the traveling public.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-seventh day of August, 1920.

DECISION NO. 8014.

IN THE MATTER OF THE APPLICATION OF STEAM AND ELECTRIC INTERURBAN RAILROADS AND BOAT LINE COMMON CARRIERS TO INCREASE FREIGHT AND PASSENGER RATES AND FARES.

Application No. 5728.

Decided August 27, 1920.

BY THE COMMISSION.

SECOND SUPPLEMENTAL ORDER.

Whereas, this Commission in its Decision No. 7983 in Application No. 5728, dated August 17, 1920, authorized certain common carriers to increase passenger fares;

And whereas, carriers have by tariff publications restricted the use of commutation tickets having longer limit than calendar month, or exceeding thirty-five (35) days from date of sale; and

It appearing that such restrictions are not in harmony with the order in this application and not just to the traveling public;

It is hereby ordered, that the tariffs of the carriers be amended to provide that "All commutation or other multiple forms of tickets having longer limits than calendar month or exceeding thirty-five (35) days from date of sale, sold prior to August 26, 1920, will be honored within their limits."

Dated at San Francisco, California, this twenty-seventh day of August, 1920.

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DECISION NO. 8015.

IN THE MATTER OF THE APPLICATION OF STEAM AND ELECTRIC INTERURBAN RAILROADS AND BOAT LINE COMMON CARRIERS TO INCREASE FREIGHT AND PASSENGER RATES AND FARES. AMADOR CENTRAL RAILROAD, ET AL.

Application No. 5728.

Decided August 27, 1920.

BY THE COMMISSION.

FIRST SUPPLEMENTAL ORDER.

Whereas, the Railroad Commission by Decision No. 7983 in Application No. 5728, dated August 17, 1920, authorized the applicants therein to make certain increases in freight and passenger rates, and it appearing from the record in the proceeding and for good cause shown, that the order made for the disposition of fractions should be amended;

It is hereby ordered, that the carriers in computing and applying all increased passenger fares, surcharges for occupants of sleeping and parlor cars and baggage charges round out fractions to the next full cent.

Dated at San Francisco, California, this twenty-seventh day of August, 1920.

DECISION NO. 8016.

IN THE MATTER OF THE APPLICATION OF SAN JOAQUIN LIGHT AND POWER CORPORATION FOR AUTHORITY TO INCREASE CHARGES FOR GAS IN THE CITY OF MERCED AND VICINITY.

Application No. 5654.

Decided August 27, 1920.

Murray Bourne, for Applicant.

BY THE COMMISSION.

OPINION.

This is an application by San Joaquin Light and Power Corporation for authority to increase its rates and charges for gas in the city of Merced and vicinity. Applicant now seeks permission to establish such rates and charges for gas as shall be adequate to provide for increased operating costs and to produce a return upon its investment.

A public hearing was held in Merced on August 19, 1920, before Examiner Satterwhite and the matter thereupon submitted.

Applicant is engaged in the manufacture and distribution of artificial gas to its consumers in this district and alleges that due to the very material increases in the cost of oil and labor the rates which it

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now charges are insufficient to pay operating expenses and depreciation, without any allowance for return upon its invested capital. The present rates are shown by the following schedule:

First 4000 cubic feet	$1 50	per thousand
Next 6000 cubic feet	1 25	per thousand
All over 10,000 cubic feet	1 00	per thousand

Minimum charge 75 cents per meter per month. If consumer uses over 50,000 cubic feet per month the rate is $1 per thousand.

An inspection of the above rates will show that these charges are far below those of other gas utilities operating under comparable conditions. This schedule was established a number of years ago and since that time the price of oil has also increased greatly, but this condition is partly offset due to the fact that the company is able to apportion a part of this expense to its electrical department, which results in a considerable saving of wages and overhead expenses.

During the year 1919 applicant sold 16,325,300 cubic feet of gas from which it received a gross revenue of $23,487.54, or an average price of $1.43 per thousand cubic feet. Operating expenses for the year amounted to $22,121.38, to which should be added $2,387.07 for depreciation, thus showing a deficit of $1,020.91.

Below is set forth in tabular form a statement of operating statistics for the year 1919 and the first four months of 1920, together with a statement for the twelve months ending August 1, 1921, based upon evidence herein submitted:

OPERATING STATISTICS.

San Joaquin Light and Power Corporation, Merced.

	1919	Four months 1920	Year ending August 1, 1921
Consumers	655	715	750
Gas sales, M cubic feet	16,325.3	6,718.8	19,500
Barrels of oil used	5,515	1,970.3	6,360
Gallons of oil per M cubic feet sold	14.19	12.32	13.70
Sales per consumer per year	25.0	28.17	26.0
Revenue from gas sales	$23,487.54	$9,462.64	$27,475.00
Operating expenses	22,121.38	9,120.86	30,925.00
Net for depreciation and return	$1,366.16	$341.78	$3,450.00

It is apparent from an inspection of the above statistics that operations for the ensuing year would under the present rates result in a deficit of $3,450. Applicant is therefore entitled to an increase which under the rates hereinafter established should produce a gross revenue of $40,500 or $9,575 net for depreciation and return.

Oil is bought under a purchasing agreement providing for the delivery of a definite amount based upon a field price of $1.45 per barrel f. o. b. Coalinga. This price is, however, subject to market changes which have already affected it and together with increased

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freight rates makes the price of future shipments $2.52 f. o. b. applicant's plant. The price paid November, 1917, was 96 cents per barrel delivered at the gas works. Operating expenses for the twelve months ending August 1, 1921, based upon the experience of 1919 and the present year to date and corrected for increased costs of oil and labor, are indicated below:

Operating Expenses.

Production:	1919	Year ending August 1, 1921
Oil	$11,401 96	$16,025 00
Other	4,567 02	5,250 00
Distribution	2,221 00	2,900 00
Commercial	1,087 71	1,825 00
General	1,619 64	2,600 00
Taxes	1,224 05	2,270 00
Uncollectible bills	40 44	50 00
Depreciation	2,387 07	2,535 00
Total	$24,548 89	$33,460 00

No actual valuation of applicant's property has been made by this Commission recently, but the figures used herein and which were submitted by applicant have been carefully checked and are believed to be reliable for the purpose of this proceeding. Applicant's report shows fixed capital as below indicated, in its Merced gas properties:

Fixed capital as of January 1, 1920	$83,231 30
Additions and betterments to July 1, 1920	5,543 53
Construction work in progress	921 82
Fixed capital	$89,696 65
Materials and supplies	2,490 00
Working cash capital	4,800 00
Total rate base	$96,986 65

Applicant has not for some time in the past earned any return upon its invested capital due to the low rates in effect upon its system, and it is believed that if the rates should be increased at this time to the extent required to show a full return of 8 per cent upon the investment, there would result a decrease in gas sales and an actual reduction in revenue to applicant. The rates herein authorized based upon a gas having a monthly average heating value of 570 B. t. u. per cubic foot will, however, provide for increased costs and should yield an average return of approximately $2.08 per thousand cubic feet sold, or about 7 per cent on the investment.

ORDER.

San Joaquin Light and Power Corporation having applied to the Railroad Commission for authority to increase its rates for gas, a hearing having been held, and the matter submitted and being now ready for decision:

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The Railroad Commission of the State of California hereby finds as a fact that the present rates and charges for gas of San Joaquin Light and Power Corporation in the city of Merced and vicinity are not fair and reasonable rates in so far as they do not adequately compensate it to the extent of earning proper operating expenses and a return upon its investment, and in so far as they differ from the rates hereinafter established.

Basing its order on the foregoing findings of fact;

It is hereby ordered, that San Joaquin Light and Power Corporation be and it is hereby authorized to charge and collect the following rates for gas in the city of Merced and vicinity, effective for all regular meter readings taken on and after the twenty-sixth day of August, 1920, to-wit:

SCHEDULE "A."

General Service.

		Per 1000 cubic feet
First	500 cubic feet or less per meter per month	$1 25
Next	2,500 cubic feet per meter per month	2 60
Next	7,000 cubic feet per meter per month	1 80
Next	10,000 cubic feet per meter per month	1 60
All over	20,000 cubic feet per meter per month	1 40

SCHEDULE "B."

Hotel and Restaurant Service.

		Per 1000 cubic feet
First	20,000 cubic feet per meter per month	$1 40
All over	20,000 cubic feet per meter per month	1 20

Minimum bill per meter per month $25.

Provided, San Joaquin Light and Power Corporation shall within ten days from the date of this order file with the Railroad Commission the schedules of rates herein established.

Dated at San Francisco, California, this twenty-seventh day of August, 1920.

DECISION NO. 8020.

IN THE MATTER OF THE APPLICATION OF SOUTHERN CALIFORNIA EDISON COMPANY, A CORPORATION, FOR AN ORDER AUTHORIZING IT TO ISSUE AND SELL FOUR HUNDRED AND THIRTY-EIGHT THOUSAND DOLLARS FACE AMOUNT OF ITS GENERAL AND REFUNDING MORTGAGE SIX PER CENT TWENTY-FIVE YEAR GOLD BONDS OF THE SERIES OF 1919.

Application No. 6003.

Decided August 27, 1920.

A. N. Kemp, for Applicant.

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EDGERTON, *Commissioner.*

OPINION.

Southern California Edison Company asks permission to issue and sell, at not less than 87½ per cent of their face value plus accrued interest, $438,000 of its general and refunding mortgage 6 per cent 25-year gold bonds of the series of 1919.

Applicant reports that pursuant to the authority heretofore granted by the Railroad Commission in Application No. 3666, it has sold certain of its electric properties to the city of Pasadena. To consummate this sale, it is found advisable, according to the testimony of A. N. Kemp, vice president of Southern California Edison Company, to pay off $390,000 of outstanding 5 per cent bonds issued by Edison Electric Company of Los Angeles, due 1929, and $48,000 of 6 per cent bonds issued by Edison Electric Company of Los Angeles due 1927.

It is for the purpose of paying or refunding these underlying bonds that applicant asks permission to issue $438,000 of its general and refunding mortgage 6 per cent bonds.

I herewith submit the following form of order:

ORDER.

Southern California Edison Company having applied to the Railroad Commission to issue $438,000 of its 6 per cent general and refunding mortgage bonds, a public hearing having been held, and the Railroad Commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required for the purpose specified in this order, and that the expenditures for such purpose are not in whole or in part reasonably chargeable to operating expenses or to income;

It is hereby ordered, that Southern California Edison Company be and it is hereby authorized to issue and sell, on or before December 31, 1920, $438,000 face value of its general and refunding mortgage 6 per cent 25-year gold bonds of the series of 1919, and use the bonds or the proceeds to pay or refund $390,000 of bonds issued by Edison Electric Company of Los Angeles, due 1929; and $48,000 of bonds issued by Edison Electric Company of Los Angeles, due 1927.

The authority herein granted is subject to further conditions as follows:

1. Southern California Edison Company shall keep such record of the issue and sale of the bonds herein authorized and of the disposition of the proceeds as will enable it to file on or before the twenty-fifth day of each month a verified report, as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

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2. The authority herein granted will not become effective until applicant has paid the fee prescribed in the Public Utilities Act.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-seventh day of August, 1920.

DECISION NO. 8021.

IN THE MATTER OF THE APPLICATION OF THE UNION WATER COMPANY OF ARCATA, A CORPORATION, FOR PERMISSION TO INCREASE METER CHARGES.

Application No. 5798.

Decided August 27, 1920.

JURISDICTION—WATER RATES, WITHIN MUNICIPALITIES.—A petition in intervention filed by a city attorney denying the jurisdiction of the Railroad Commission to revise the rates of a public utility within the incorporate limits of a municipality can not be considered in that the Public Utilities Act as amended and the state constitution clearly delegate to the Commission the power to establish rates charged by utilities within incorporated territory. Petition of applicant to increase rates for water denied, present rates having been found adequate.

Lem Yocum, for Applicant.

Geo. H. Burchard, city attorney, for the Board of Trustees of Arcata.

BY THE COMMISSION.

OPINION.

The above entitled matter is an application brought by Union Water Company of Arcata, a corporation owning and operating the above named public utility water system, and engaged in the business of selling water for domestic and commercial uses to consumers in and in the vicinity of Arcata, Humboldt County. In this proceeding applicant asks for authority to increase its meter rates, and bases its request solely upon the allegation that the costs of maintenance and operation have materially increased.

The schedule of rates at present in effect was established about 1900 by the board of trustees of Arcata. The meter rates so established are as follows:

For first 10,000 gallons, per 1000 gallons..... 35 cents
For all over 10,000 gallons, per 1000 gallons..... 20 cents
Minimum $1 per month.

On June 1, 1920, the company had 317 meters in use, and a total of 602 consumers.

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The water company was organized on September 21, 1883. On November 6, 1883, the town of Arcata, in consideration of the water company's furnishing free water for fire hydrants, gave them a franchise for a period of fifty years, granting the right to use the streets and alleys of Arcata, and to supply the town with water.

The water system consists of three small unlined reservoirs, formed by damming up Park, Preston and Janes creeks, giving an approximate total storage capacity of 305,000 gallons.

The water from Park and Preston creeks discharges by gravity through four and seven-inch steel pipe lines, respectively, and supplies water sufficient for the consumers' needs except in the summer months, at which time water is pumped from the reservoir on Janes creek by means of a 20-horsepower General Electric motor and a 4-inch centrifugal, 2-stage, Krogh pump, through 8500 feet of 5-inch wood stave pipe to Arcata.

The applicant presented evidence purporting to show that the original cost of installation of the water system complete to June 1, 1920, was $37,167, and the value of the real estate owned was $17,068, making a total investment of $54,235. Detailed records of the original cost are not available, and the data upon which applicant's evidence was based is incomplete. The Commission's engineers submitted an appraisal based upon the average prices of labor and materials of similar construction throughout the state during the same period. This estimate of the original cost of installation of the water system to June 1, 1920, amounts to $47,822, for real estate $5,445, and $1,000 for tools, supplies and miscellaneous equipment on hand, making a total for the entire plant of $54,267.

The depreciation annuity upon the various component parts of the system, on a 6 per cent sinking fund basis, amounts to $640 per year.

The maintenance and operation expenses for the year 1917 were $5,430.95; for 1918 were $6,187.45; and for 1919 were $6,400.81.

It is unnecessary to further discuss the value of this system, replacement fund or operating expenses. Even using the highest figures submitted, we arrive at a sum less than the income received during the year 1919. Computing the interest return at 8 per cent upon either of the above mentioned sums, and adding thereto the 1919 operating expenses and replacement fund, shows a total of less than $11,771, which was the revenue received by applicant during the year 1919. Applicant is therefore not entitled to an increased rate.

A plea in intervention was submitted during the hearing by the city attorney of Arcata, on behalf of the board of trustees of the town,

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denying the jurisdiction of the Railroad Commission to fix rates within the limits of the town. In this regard it is sufficient to state that the Public Utilities Act as amended and the provisions of the constitution of this state clearly delegate to the Railroad Commission complete authority in the matter of rates to be charged by public utilities within the corporate limits of municipalities.

ORDER.

The Union Water Company of Arcata, a corporation, having applied to this Commission for an order increasing meter rates for water to be furnished to the inhabitants of the town of Arcata and vicinity, in Mendocino County, and a public hearing having been held at which all interested parties were given an opportunity to be present and be heard, and the Commission being fully apprised in the premises:

It is hereby found as a fact that the present rates charged by applicant are compensatory and remunerative.

And basing its order upon the foregoing finding of fact and upon the further findings of fact contained in the opinion which precedes this order:

It is hereby ordered, that the application herein be and the same is hereby denied.

Dated at San Francisco, California, this twenty-seventh day of August, 1920.

DECISION NO. 8028.

IN THE MATTER OF THE APPLICATION OF THE EL SEGUNDO WATER COMPANY, A CORPORATION, FOR AN ORDER AUTHORIZING INCREASE IN RATES FOR WATER SOLD AND DELIVERED THROUGH ITS SYSTEM.

Application No. 4743.

Decided August 27, 1920.

Robert M. Clarke, for Applicant.

Clyde Woodworth, for Protestants.

BY THE COMMISSION.

OPINION.

Applicant in the above entitled proceeding is a public utility supplying water to consumers in El Segundo and vicinity. It alleges in effect that its present rates do not yield sufficient revenue to give a reasonable return upon its investment. The Commission is asked to authorize an increase in the irrigation rates.

A public hearing was held in Los Angeles at which all interested parties were given an opportunity to be present and be heard.

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Applicant's present rates are those established by its predecessors in interest, the El Segundo Land and Improvement Company and the Arena Water Company, and are as follows:

Domestic rates.

First 700 cubic feet or less per month	$1 50
Over 700 cubic feet, per 100 cubic feet	10

Irrigation rates.

First 700 cubic feet or less per month	$1 50
Over 700 cubic feet, per 100 cubic feet	05

The domestic rate is charged approximately 210 consumers residing in the El Segundo townsite, and the irrigation rate about 91 consumers residing on larger tracts outside the limits of the townsite.

The water supply is pumped from wells into storage tanks and is then distributed by gravity to consumers. The system was originally installed to assist in the sale of real estate and the pipe system is very largely overbuilt. Some of the pipe lines are not used at present.

Applicant submitted an appraisal of its properties based upon reproduction cost less accrued depreciation, using costs of labor and material prevailing during the year 1918, and amounting to $75,075.

The Commission's hydraulic engineers presented an estimate of original cost of the system, not including lands, amounting to $56,094, and a depreciation annuity, calculated by the sinking fund method, of $1,477. A reasonable allowance for maintenance and operation expense for the future was estimated at $5,700.

After a careful consideration of all the testimony it appears that a fair estimate of the original cost of all the utility's property is $61,094, and that the total annual charges, based upon the foregoing figures, will amount to $12,065.

Operating revenues for the year 1919 amounted to $6,814, and it is apparent that the present rates do not yield sufficient revenue. As the system is so largely overbuilt, it would, however, be unreasonable to compel the present consumers to pay a rate which would yield the full amount of annual charges set out above. The rates fixed in the accompanying order will, however, do substantial justice to both the consumer and the utility.

Some consumers, residing in the northerly and northwesterly part of the service area, testified that service was inadequate and pressures were low. It is recommended that some provision be made, through the installation of higher storage tanks or other means, of improving service to these consumers. Other complaints as to poor quality of water can probably be remedied by frequent and thorough flushing of the mains.

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ORDER.

El Segundo Water Company having made application in the above entitled proceeding, a public hearing having been held thereon and the Commission being fully informed in the matter:

It is hereby found as a fact that the rates now charged by El Segundo Water Company for water delivered to its consumers are unjust and unreasonable in so far as they differ from the rates herein established, and that the rates herein established are just and reasonable rates to be charged for such service; and basing its order upon the foregoing finding of fact and upon the findings contained in the preceding opinion;

It is hereby ordered, that El Segundo Water Company be and it is hereby authorized and directed to file with the Railroad Commission within twenty (20) days from the date of this order, and thereafter charge, effective for all meter readings subsequent to September 1, 1920, the following rates for water supplied to its consumers:

Monthly minimum rates.

For	⅝-inch meters	$1 00
For	¾-inch meters	1 25
For	1-inch meters	1 75
For	1½-inch meters	2 50
For	2-inch meters	3 00
For	3-inch meters, and larger	5 00

Monthly meter rates.

From	0 to 500 cubic feet per 100 cubic feet	25 cents
From	500 to 1,000 cubic feet per 100 cubic feet	20 cents
From	1,000 to 2,000 cubic feet per 100 cubic feet	15 cents
Over	2,000 cubic feet per 100 cubic feet	10 cents

And it is hereby further ordered, that the collection of the rates herein established is expressly conditional upon adequate service being furnished to consumers.

Dated at San Francisco, California, this twenty-seventh day of August, 1920.

DECISION NO. 8031.

IN THE MATTER OF THE APPLICATION OF SUTTER BUTTE CANAL COMPANY, A CORPORATION, FOR AUTHORITY TO ISSUE TWO HUNDRED THOUSAND DOLLARS FACE VALUE OF NOTES.

Application No. 6050.

Decided August 27, 1920.

Isaac Frohman, Douglas Brookman, by *Douglas Brookman*, for Applicant.

DEVLIN, *Commissioner.*

OPINION.

Sutter Butte Canal Company, in this application as amended at the hearing, asks permission to issue and sell at not less than 95 per cent

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of their face value, plus accrued interest, $200,000 of 8 per cent unsecured notes payable on or before three years after date.

Applicant reports that in order to adequately serve its consumers in Sutter County, it has undertaken the construction and extension of its canal system, the installation of certain pumps and the enlarging of existing canals. To complete these improvements, applicant is in need of approximately $200,000, which amount it intends to expend for the following purposes:

Installing and building pumping plant of at least 300 second foot capacity		$35,630 00
Construction of extension to canal system in Sutter County		87,240 00
Rights of way	$37,000 00	
Bridges, gates and weirs	27,530 00	
Enlarging existing canals in Butte and Sutter counties	15,830 00	
		78,300 00
Total		$200,549 00

The engineering department of the Commission has examined the company's estimated expenditures and finds the same to be reasonable and proper.

I herewith submit the following form of order:

ORDER.

Sutter Butte Canal Company having applied to the Railroad Commission for permission to issue and sell $200,000 of 8 per cent notes, a public hearing having been held and the Railroad Commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required for the purpose or purposes specified in this order and that the expenditures for such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income;

It is hereby ordered, that Sutter Butte Canal Company be and it is hereby authorized to issue and sell for cash, on or before December 31, 1920, at not less than 95 per cent of their face value plus accrued interest, $200,000 of 8 per cent unsecured notes, payable on or before three years after date, and use the proceeds to pay for the construction of the Sutter County extension, installation of the pumping plant, enlarging of existing canals, rights of way, bridges, gates and weirs, referred to in the petition herein. Provided, that:

1. The authority herein granted will not become effective until applicant has paid the fee prescribed in the Public Utilities Act.

2. Sutter Butte Canal Company will keep such record of the issue and sale of the notes herein authorized and of the disposition of the proceeds as will enable it to file on or before the twenty-fifth day of each month a verified report, as required by the Railroad Commission's

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General Order No. 24, which order, in so far as applicable, is made a part of this order.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-seventh day of August, 1920.

DECISION NO. 8035.

IN THE MATTER OF THE APPLICATION OF BREA TOWNSITE COMPANY FOR AUTHORITY TO ESTABLISH RATES.

Application No. 4953.

Decided August 27, 1920.

James S. Bennett, for Applicant.
Albert Launer, for city of Brea.

BY THE COMMISSION.

OPINION.

The applicant in the above entitled proceeding, engaged in supplying water for domestic and industrial purposes in Brea and vicinity, alleges in effect that under its present flat rates water is wasted and that the installation of meters is necessary in order to conserve its supply. The Commission is therefore asked to establish a rate for water delivered through meters.

A public hearing was held in Whittier at which all interested parties were given an opportunity to be present and be heard.

Applicant's water system was installed originally for the purpose of aiding in the sale of real estate, and now serves approximately 220 consumers, practically all of whom are supplied at a flat rate of $1.50 per month.

Water is obtained through the ownership of 106 shares of stock of La Habra Water Company, and by purchase from the Whittier Water Company.

Testimony shows that the original cost of the system was $36,259, and that the cost when fully metered will be $40,527; that depreciation annuity, calculated upon the sinking fund method, amounts to $397; that a reasonable allowance for maintenance and operation expense is $3,600 per year; and that total annual charges, based upon the foregoing figures, are $7,239.

Operating revenues for 1918 were $6,045 and for 1919 were $5,876.

This Commission has frequently expressed itself to the effect that delivery of water at metered rates is the only method whereby charges can be equitably distributed among consumers, waste be prevented

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and operating expenses be held to the minimum. There are no figures of water use available upon which to establish a schedule of meter rates for this utility, but it is believed that the schedule set out in the accompanying order will produce a fair and remunerative income.

ORDER.

Brea Townsite Company having made application in the above entitled proceeding, a public hearing having been held thereon and the Commission being fully informed in the matter:

It is hereby found as a fact that the rates now charged by Brea Townsite Company for water delivered to its consumers, are unjust and unreasonable in so far as they differ from the rates herein established, and that the rates herein established are just and reasonable rates to be charged for such service; and basing its order upon the foregoing finding of fact and upon the findings contained in the opinion preceding this order:

It is hereby ordered, that Brea Townsite Company be and it is hereby authorized and directed to file with the Railroad Commission, within twenty (20) days from the date of this order, and thereafter charge, effective for all meter readings subsequent to September 1, 1920, the following schedule of rates:

Monthly minimum charges.

For ⅝-inch meters	$1 00
For ¾-inch meters	1 25
For 1-inch meters	1 75
For 1½-inch meters	2 50
For 2-inch meters	3 00
For 3-inch meters	4 00
For 4-inch meters	5 00

Monthly meter rates.

From 0 to 500 cubic feet, per 100 cubic feet	25 cents
From 500 to 1,000 cubic feet, per 100 cubic feet	20 cents
From 1,000 to 3,000 cubic feet, per 100 cubic feet	15 cents
Over 3,000 cubic feet, per 100 cubic feet	10 cents

And it is hereby further ordered, that the collection of the rates herein established will be upon the following conditions and none other:

1. That Brea Townsite Company place a suitable meter upon each active service not later than October 1, 1920.

2. That this Commission be notified when the metering of the system is completed.

3. That during the metering of the system such services as have no meters shall be billed at the present flat rates.

4. That Brea Townsite Company file with the Railroad Commission within sixty (60) days of the date of this order, rules and regulations governing service to its consumers.

Dated at San Francisco, California, this twenty-seventh day of August, 1920.

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DECISION NO. 8041.

IN THE MATTER OF THE COMMISSION'S INVESTIGATION ON ITS OWN MOTION INTO THE RULES, REGULATIONS AND PRACTICES OF ANNIE DELL SEGNO WITH RELATION TO THE OPERATION OF A PUBLIC UTILITY WATER SYSTEM, DOING BUSINESS UNDER THE FICTITIOUS NAME AND STYLE OF OCEAN PARK HEIGHTS LAND AND WATER COMPANY, THE SERVICE RENDERED BY SAID COMPANY, THE SUPPLY OF WATER AVAILABLE AND THE TERRITORY SERVED OR TO BE SERVED.

Case No. 1459.

Decided August 27, 1920.

WATER SERVICE—SOURCE OF SUPPLY—LIMITATIONS IN.—It is held that a water system such as that operated by respondent can not render efficient service when its only source of supply is a single well which may at any time fail, due to accident or other causes, and respondent is directed to take immediate steps towards improving service and to submit to the Commission within sixty days detailed plans for securing an additional source of water supply.

Herbert E. Carse, for Annie Dell Segno.

BY THE COMMISSION.

OPINION.

This is a matter involving numerous informal complaints which have been filed with the Commission in regard to conditions which prevail under the public utility water system owned by Annie Dell Segno and doing business under the fictituous name and style of Ocean Park Heights Land and Water Company, by which name it is sometimes hereinafter referred to. The utility in question distributes water for domestic purposes in and in the vicinity of Ocean Park Heights, Los Angeles County, California.

It appearing to the Commission that the relief sought by complainants could not be obtained through informal proceedings, a formal investigation was instituted as above indicated, and a public hearing was held before Examiner Satterwhite in Los Angeles on July 1, 1920.

The source of water supply of this utility is a single well located in the bottom lands adjacent to Ocean Park Heights. The water is raised from this well by air lift equipment into a small settling reservoir. From the settling reservoir a booster pump is used to force the water into the distributing system, the excess being accumulated in a concrete storage reservoir situated at the highest point of the district served.

Due to the difference in capacity of the two pumps, the force or booster pump is operated only about two-thirds as many hours as the air lift, which latter appears to be operated only a little over twelve hours per day. Testimony showed the maximum run of the air lift during June, 1919, was 13½ hours per day and the minimum was 10½ hours per day. It was brought out at the hearing, however, that the

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well could be operated 24 hours per day, if necessary, and it was estimated by Engineer Carse, representing the owner of this system, that the plant as now constituted has a capacity of three times the present demand. Mr. Carse, however, agrees with the opinion of the Commission's engineers, that an auxiliary supply should be available to provide against accidents such as that which occurred in September, 1919, when the present well caved in and consumers were deprived of any service whatsoever for several days. It is our opinion that adequate service can not be insured when the water supply is wholly dependent upon a single well such as this which has so recently demonstrated that it may, without warning, cease to produce.

From the field investigations of this system which have been made by the Commission's hydraulic engineers, it appears that the principal causes for many of the complaints which have heretofore been made are inefficiencies and mismanagement in operation. While it appears that an auxiliary source of water supply should be acquired to provide for emergencies, yet the present plant and equipment are not operated a sufficient number of hours per day to provide an adequate supply of water at all times for the consumers.

From the evidence it appears that the owner of this utility has not been kept sufficiently well informed as to operating conditions or the practices of the employees of this system. This phase of the situation has resulted in much dissatisfaction, and it is clear that more efficient operating conditions should prevail. However, a disposition was shown on the part of the company to correct these conditions, and the Commission will make certain requirements in its order herein, designed to bring about the desired results.

At the hearing it developed that a certain tract known as Culver Garden Tract, consisting of 198 lots, was piped by its promoters and connections made to this water system. This was apparently done without the knowledge of the owner of the utility, and certainly without any provision having been made for an increased water production or alteration of plant operation. Under the present circumstances, it is clear that such a program could not be carried out except to the detriment of the original consumers, unless an additional source of water supply is obtained and an efficient operating program is inaugurated. Respondent signified her willingness to install additional water production facilities, if necessary, to serve these additional consumers, and it therefore appears advisable to permit the continuance of this service with the proviso that adequate service be rendered to all consumers and that none will be adversely affected because of this service to additional territory.

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The rules and regulations now in effect are not in accord with the practices of this Commission and should be modified to conform therewith. This Commission has usually required that utilities extend mains 100 feet for each permanent new consumer. If the extension necessary to serve a prospective consumer is longer than 100 feet, the consumer may be required to deposit the cost of the extension over and above 100 feet, the deposit to be returned to the consumer when the revenue derived from the extension warrants.

ORDER.

The Railroad Commission having instituted an investigation on its own motion into the rules, regulations and service of Annie Dell Segno with relation to the operation of a public utility water system known as Ocean Park Heights Land and Water Company, a public hearing having been held and the Commission being fully informed in the matter:

It is hereby found as a fact that the present operating conditions and practices which prevail under this system are unsatisfactory and inefficient and should be corrected; and

Basing its order upon the foregoing finding of fact and upon the further statements of fact contained in the opinion preceding this order;

It is hereby ordered, that Annie Dell Segno, operating a public utility water system under the fictitious name and style of Ocean Park Heights Land and Water Company, be and she is hereby directed to so operate or cause the plant and system of said company to be so operated, that all consumers may at all times be provided with an adequate supply of water, and in addition thereto, a reserve supply sufficient to care for the fluctuations in use and for emergencies shall be held in storage at all times, in the upper reservoir.

It is hereby further ordered, that Annie Dell Segno be and she is hereby required to adopt a system of operation which will require the filing of such reports by the employees of said Ocean Park Heights Land and Water Company as will at all times enable the management of said utility to be fully informed as to all conditions and practices existing on said system.

It is hereby further ordered, that until further notice the utility shall render to this Commission, on the first day of each month, a report showing the amount of water in storage in its upper reservoir each day of the preceding month, indicating the hour at which such measurement is taken.

It is hereby further ordered, that said utility shall, within sixty (60) days of the date of this order, submit to the Railroad Commission for its approval, detailed plans for securing an auxiliary source of water

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supply, and thereafter, upon final approval of said plans, shall proceed in accordance therewith to install the necessary equipment and facilities to make available the additional water supply.

It is hereby further ordered, that within thirty (30) days of the date of this order, this utility shall submit to the Commission a full and complete schedule of rules and regulations which it proposes to adopt, said rules and regulations to be put into effect on the date of their acceptance, as corrected and amended by the Commission.

Dated at San Francisco, California, this twenty-seventh day of August, 1920.

DECISION NO. 8042.

IN THE MATTER OF THE APPLICATION OF SAN JOAQUIN LIGHT AND POWER CORPORATION FOR AUTHORITY TO INCREASE THE CHARGES FOR GAS IN THE CITY OF SELMA AND VICINITY.

Application No. 5655.

Decided August 27, 1920.

GAS SERVICE—HEATING STANDARDS.—When a gas utility applies for an increase in rates and it is shown that it has been manufacturing and delivering gas considerably below the standard established by the Commission's General Order No. 58, increases authorized are established only for gas of a heating value of 570 B. t. u. per cubic foot as prescribed by General Order No. 58.

Murray Bourne, for Applicant.

BY THE COMMISSION.

OPINION.

In this application for authority to increase its rates and charges for gas served to its consumers in the city of Selma and vicinity, San Joaquin Light and Power Corporation alleges that because of greatly increased cost of oil and labor it is unable to earn under its present rates sufficient to pay operating expenses and depreciation with no allowance for return upon its investment. Applicant seeks authority to increase its rates and establish such charges for gas as shall be found necessary to provide a return upon its investment. A public hearing was held in Selma on August 19, 1920, before Examiner Satterwhite and the matter thereupon submitted.

The present rates shown in the following schedule were established a number of years ago when all supplies and labor were much less expensive than at the present time:

Present rates.

First	4,000 cubic feet	$1 50 per thousand
Next	6,000 cubic feet	1 25 per thousand
All over	10,000 cubic feet	1 00 per thousand

Minimum charge 75 cents per meter per month. If consumer uses over 50,000 cubic feet per month the rate is $1 per thousand.

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Since the establishment of the above rate the price of oil has increased from $1.07 per barrel, f.o.b. the gas plant, to approximately $2.50 per barrel for all future deliveries. During the past eighteen months it has been found necessary to increase the payroll $166.50 per month or 33.5 per cent. A considerable saving in wages to applicant is, however, effected by consolidating a portion of the work of the gas department with the water and electric departments.

Gas sales during the year 1919 amounted to 10,970.3 thousand cubic feet, from which a revenue of $16,145.75 was derived, or an average rate of $1.47 per thousand cubic feet. Operating expenses for the year amounted to $14,675.70 without allowance for depreciation of $1,612.20, thus showing a deficit of $142.15. The following tabulation presents essential operating statistics for 1919, the first four months of 1920 and statement for the year ending August 1, 1921:

OPERATING STATISTICS.

San Joaquin Light and Power Corporation, Selma.

	1919	First four months 1920	Year ending August 1, 1921
Consumers	462	495	515
Gas sales, thousand cubic feet	10,970	4,682.9	13,380
Barrels of oil used	3,561	1,455	4,335
Gallons of oil per thousand sold	14.04	13.14	13.69
Sales per consumer per year	23.8	28.3	26.0
Revenue from gas sales	$16,145 75	$6,638 68	$19,700 00
Operating expenses	14,675 70	6,429 09	22,480 00
Net for depreciation and return	$1,470 05	$209 59	*$2,780 00

*Deficit.

The above statistics show that the operations for the year 1920–21 would under the present rates result in a deficit of $2,780. Applicant is therefore entitled to an increase which, under the rates hereinafter established, should produce a gross revenue of $28,900, showing a net return of $6,420 for interest and depreciation.

The following estimate of operating expenses for the year ending August 1, 1921, was determined from an analysis of costs for the years 1919 and 1920 and taking into consideration the increased cost of oil of $2.50 per barrel and the additional cost of other materials, supplies and labor. It is to be noted that in many instances the increased cost of gas operations during the past year has resulted very largely from increased wages granted to employees. During the period in which the present rate has been in effect, oil has increased more than $1.40 per barrel, resulting in an added manufacturing cost of 47 cents per thousand cubic feet of gas sold.

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Operating Expenses.

Production:	1919	Year ending August 1, 1921
Oil	$6,299 38	$10,830 00
Other	3,566 41	4,750 00
Distribution	1,267 75	1,670 00
Commercial	1,957 47	2,560 00
General	673 95	1,025 00
Taxes	910 76	1,620 00
Uncollectible bills	25 80	25 00
Depreciation	1,612 20	1,756 00
Total	$16,313 72	$24,236 00

The figures for capital invested are based upon applicant's report to this Commission, and while they have not been checked by field investigations they appear to be satisfactory for the purpose of this proceeding, inasmuch as the fixed capital invested per consumer is approximately $100 which is somewhat less than the average for other small plants.

Rate Base for Year Ending August 1, 1921.

Fixed capital as of January 1, 1920	$49,832 30
Additions and betterments to July 1, 1920	2,932 55
Construction work in progress	1,888 85
Total fixed capital	$54,653 70
Materials and supplies	3,900 00
Working cash capital	3,500 00
Total for rate base	$62,053 70

Investigations made by engineers of this Commission indicate that the quality of gas as manufactured at Selma has at times been considerably below the standard of 570 B. t. u. per cubic foot as established by General Order No. 58. The rates hereinafter set forth are for a quality of gas having a heating value of 570 B. t. u. per cubic foot as prescribed by General Order No. 58. The revenue derived from the rates shown in the following order should be sufficient to meet increased operating costs and depreciation and yield a return upon the investment.

ORDER.

San Joaquin Light and Power Corporation having applied to the Railroad Commission for authority to increase its rates and charges for gas, a hearing having been held, and the matter submitted and being now ready for decision:

The Railroad Commission of the State of California hereby finds as a fact that the present rates and charges for gas of San Joaquin Light and Power Corporation in the city of Selma and vicinity are not fair and reasonable rates in so far as they do not adequately compensate it to the extent of earning proper operating expenses and a

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return upon its investment, and in so far as they differ from the rates hereinafter established.

Basing its order upon the foregoing findings of fact;

It is hereby ordered, that San Joaquin Light and Power Corporation be and it is hereby authorized to charge and collect the following rates for gas in the city of Selma and vicinity effective for all regular meter readings taken on and after the twenty-sixth day of August, 1920, to wit:

SCHEDULE "A."

General Service.

First	500 cubic feet or less per meter per month	$1 25
		Per 1000 cubic feet
Next	2,500 cubic feet per meter per month	$2 00
Next	7,000 cubic feet per meter per month	1 80
Next	10,000 cubic feet per meter per month	1 60
All over	20,000 cubic feet per meter per month	1 40

SCHEDULE "B."

Hotel and Restaurant Rate.

		Per 1000 cubic feet
First	20,000 cubic feet per meter per month	$1 40
All over	20,000 cubic feet per meter per month	1 20

Minimum bill per meter per month $25.

Provided, San Joaquin Light and Power Corporation shall within ten days from the date of this order file with the Railroad Commission the schedules of rates herein established.

Dated at San Francisco, California, this twenty-seventh day of August, 1920.

DECISION NO. 8043.

IN THE MATTER OF THE APPLICATION OF PACIFIC GAS AND ELECTRIC COMPANY, A CORPORATION, FOR AN ORDER OF THE RAILROAD COMMISSION AUTHORIZING CERTAIN CHANGES IN ITS ELECTRIC RATES FOR RECLAMATION SERVICE.

Application No. 4360.

Decided August 28, 1920.

ELECTRIC RATES—RECLAMATION SERVICE—CONTRACT RATES.—As the power requirements of reclamation plants occur during the period of the year of heaviest rainfall and at the time when hydroelectric power supply is greatest, it is held that service of such character should be rendered either on a basis of an annual minimum sufficient to cover approximately the average cost of maintaining equipment or upon a readiness-to-serve charge based upon such costs. Revised schedule of rates established for such service which will supersede all special contract rates for the above class of service whose continuance had heretofore been authorized by the Commission.

Chas. P. Cutten, for Applicant.

Wm. H. Devlin and *Harry L. Houston*, for Reclamation District 1500.

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Chas. W. Slack, for Natomas Consolidated and Reclamation District 1001.
Hiram W. Johnson, Jr., for Reclamation District 108.

LOVELAND, *Commissioner*.

OPINION.

This is an application of Pacific Gas and Electric Company to modify its rates for electricity supplied for reclamation service and for authority to file a new schedule for such service known as Schedule No. 198.

Hearings in this matter were held on April 11, May 9 and June 10, 1919. It was then agreed and stipulated that a further investigation would be made by the Commission's engineers into the conditions and cost of service to, and the operations of, reclamation pumping plants, the results of such investigation to be considered in evidence, and that thereafter the Commission would pass upon the rate to be charged by applicant for reclamation service.

Although delay has occurred due to the many important emergency rate proceedings before the Commission, in the interim this investigation has been carried out by the Commission's engineers and a recommendation made as to the form of rate to be charged for this service, all of which is considered herein.

The power requirements of reclamation plants occur in general during the months of January to May, inclusive, being greater during years of heavier rainfall than years of drought; in fact, in some instances the consumers' use of electricity will vary from practically nothing to several million kilowatt hours per annum, depending upon the rainfall. These power requirements are greatest during years of greatest hydroelectric power supply and do not occur during the irrigation period with the exception of certain instances where the plants are operated during the summer and late fall to remove seepage water, or, as in some instances, for irrigation purposes.

Service of this character should be rendered either on a basis of an annual minimum sufficient to cover approximately the average cost of maintaining equipment for this service, or upon a readiness-to-serve charge based upon such costs. Reclamation service is primarily an insurance service, as the average consumption per horsepower per year is relatively very low. Plants which operate during the summer or late fall for other purposes than regular reclamation service produce a greater burden upon the utility than those that operate only during the months of January to May, because the irrigation use by reclamation plants occurs at the same time as the heavy irrigation load on the utility's system. The rate recommended by the Commission's engineers, and which is herein established for reclamation service, is so designed as to provide for these variable conditions of use by reclamation consumers.

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The rate herein set forth for reclamation service was ordered in effect as the reclamation service rate of Pacific Gas and Electric Company in this Commission's Decision No. 7823 in Application No. 5567, dated June 30, 1920, being set forth therein as Schedule No. P-8. Following the rendering of said decision the Commission issued its Decision No. 7867 dismissing the present Application No. 4360, it appearing that the decision in Application No. 5567 covered the issues before us in the proceeding herein. I find, however, that in Decision No. 7823 in Application No. 5567, Schedule No. P-8, for reclamation service, was not ordered effective in the case of special contracts whose continuance had heretofore been authorized. Our order of dismissal in Decision No. 7867 in this proceeding should accordingly be revoked.

The schedule herein is determined and fixed as the schedule to be charged in all instances for reclamation service by Pacific Gas and Electric Company and is to supersede all special contract rates for such service heretofore in effect.

I recommend the following form of order:

ORDER.

Pacific Gas and Electric Company having applied to the Railroad Commission for authority to make certain changes in its electric rates for reclamation service and to file a schedule for such service to be designated as Schedule No. 198, hearings having been held and the matter being submitted and now ready for decision:

The Railroad Commission hereby finds that the rates heretofore in effect for reclamation service, and the proposed rate listed as Schedule No. 198, are not just and reasonable rates for reclamation service in so far as they differ from the rate herein established, and that the rate herein established, when increased by the temporary surcharge authorized Pacific Gas and Electric Company by this Commission's Decision No. 7823, dated June 30, 1920, is a just and reasonable rate for reclamation service.

Basing its order on the foregoing finding of fact and on the findings of fact set forth in the opinion preceding this order;

It is hereby ordered, that the order of dismissal in this proceeding, dated July 12, 1920, heretofore entered as Decision No. 7867, be and the same is hereby revoked.

It is hereby further ordered, that Pacific Gas and Electric Company be and it is hereby ordered to file and make effective the following schedule of rates for reclamation service, and to charge in accordance therewith for all such service formerly supplied on regular schedules, as set forth in Decision No. 7823, and to charge in accordance therewith, based upon meter readings taken on and after September 1, 1920,

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for reclamation service supplied under those special contract rates heretofore authorized and in effect on July 1, 1920, for such service:

SCHEDULE P-8.

Reclamation Service.

Territory.

Applicable to entire former Pacific Gas and Electric Company's system.

Rate.

Demand charge.

1. For the months of January to May, inclusive.

a. For service delivered at secondary voltage:

$3.50 00 per season for the first 50 horsepower or less of connected load
6 00 per horsepower per season for the next 100 horsepower of connected load
5 00 per horsepower per season for the next 350 horsepower of connected load
4 50 per horsepower per season for the next 500 horsepower of connected load
4 00 per horsepower per season for all over 1000 horsepower of connected load

b. For service delivered at primary voltage:

$2.50 00 per season for the first 50 horsepower or less of connected load
4 50 per horsepower per season for the next 100 horsepower of connected load
4 00 per horsepower per season for the next 350 horsepower of connected load
3 50 per horsepower per season for the next 500 horsepower of connected load
3 00 per horsepower per season for all over 1000 horsepower of connected load

2. For the months of June to December, inclusive.

$1 per month per kilowatt of measured maximum demand created during each month.

Energy charge (in addition to demand charges under 1 and 2):

1.0 cent per kilowatt hour for the first 200,000 kilowatt hours per year
0.9 cent per kilowatt hour for all over 200,000 kilowatt hours per year

Special conditions.

(*a*) "Secondary voltage" as used in this schedule includes all voltages less than 15,000 volts at the option of the consumer.

(*b*) "Primary voltage" as used in this schedule includes voltages of 15,000 volts or more at the option of the company.

(*c*) "Connected load" as used in this schedule means the lesser of

Kilovolt ampere capacity of transformers installed.

Total horsepower of all motors that may be connected to the line at any one time, excluding auxiliary motors operating gates, primary pumps, etc., which are intermittently operated.

(*d*) Measured maximum demand. The maximum demand in any month shall be the average kilowatt input indicated or recorded by instruments to be furnished and installed by the company upon the consumer's premises, adjacent to watt-hour meter or meters, in the 15-minute interval in which the consumption of electricity is greater than in any other 15-minute interval in the month, or at the option of the company, the maximum demand may be determined by test.

(*e*) The seasonal demand charge (demand charge 1 (*a*) or (*b*) is payable yearly, in advance. Monthly demand charges (demand charge 2) and energy charges are payable monthly.

(*f*) Contract. This rate will only be given when the consumer will sign a contract for at least three years in the original instance.

(*g*) Reclamation plants of 50 horsepower or less may have the option of selecting Schedule P-2 instead of this schedule.

It is hereby further ordered, that the temporary surcharge authorized in Decision No. 7823, dated June 30, 1920, shall apply to reclamation service in addition to the charges under rates herein established, to the extent set forth in said Decision No. 7823.

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The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-eighth day of August, 1920.

DECISION NO. 8045.

IN THE MATTER OF THE APPLICATION OF THE PLACERVILLE TELEPHONE AND TELEGRAPH COMPANY FOR PERMISSION TO ISSUE STOCK AND ACQUIRE TELEPHONE PROPERTIES.

Application No. 6019.

Decided August 28, 1920.

Byron Parker, for Applicant.

BRUNDIGE, *Commissioner*.

OPINION.

Shelley Inch, owner of the Placerville Telephone Exchange properties, more particularly described in an exhibit attached to the petition herein, asks permission to transfer the properties to The Placerville Telephone and Telegraph Company, which joins in the application and asks permission to purchase the properties and issue $15,000 of its common capital stock.

The Placerville Telephone and Telegraph Company was organized on or about May 1, 1920, with an authorized capital stock of $25,000, divided into 2500 shares of $10 each.

It appears in Decision No. 7025, dated January 10, 1920, that the Railroad Commission's engineering department estimated the historical reproduction cost of the properties comprising the Placerville Telephone Exchange at $14,369. Shelley Inch has agreed to transfer the properties, which include no real property, to The Placerville Telephone and Telegraph Company in exchange for $14,000 of that company's stock.

Pursuant to section 293 of the Civil Code of California, applicant has received subscriptions for $1,000 of its stock. Shelley Inch has subscribed for $960, Leonard Inch for $20 and Lyle Brown for $20. This stock will be purchased by the subscribers at par. The company asks permission to use the proceeds for working capital.

I herewith submit the following form of order:

ORDER.

Shelley Inch having applied to the Railroad Commission for authority to sell telephone properties to The Placerville Telephone and Telegraph Company, which asks permission to purchase the properties and to issue $15,000 of its common stock, a public hearing having

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been held and the Commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required for the purpose or purposes specified in this order and that the expenditures for such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income;

It is hereby ordered, that Shelley Inch be and he is hereby authorized to sell, free and clear of all encumbrances, the Placerville Telephone Exchange properties, more particularly described in an exhibit attached to the petition herein, to The Placerville Telephone and Telegraph Company for the sum of $14,000.

It is hereby further ordered, that The Placerville Telephone and Telegraph Company be and it is hereby authorized to issue $15,000 of its common capital stock.

The authority herein granted is subject to the following conditions:

1. Of the stock herein authorized to be issued, $14,000 shall be delivered to Shelley Inch in payment for the properties, which he is herein authorized to sell to The Placerville Telephone and Telegraph Company.

2. The remainder of the stock herein authorized to be issued may be sold by The Placerville Telephone and Telegraph Company for cash, at not less than par, and the proceeds used by it for working capital, provided that none of such stock be issued until full payment has been received by the corporation.

3. The consideration at which the public utility properties are herein authorized to be transferred shall not be considered as a measure of value of said properties before this Commission or any other public body for rate-fixing, or any purpose other than the transfer herein authorized.

4. The Placerville Telephone and Telegraph Company shall submit to this Commission for approval a copy of its opening book entries relative to the acquisition of the properties and the issue of stock herein authorized.

5. Within thirty days after its execution, The Placerville Telephone and Telegraph Company shall file with the Railroad Commission a certified copy of the instrument of conveyance under which it holds title to the properties.

6. The Placerville Telephone and Telegraph Company shall keep such record of the issue and sale of the stock herein authorized and of the disposition of the proceeds as will enable it to file on or before the twenty-fifth day of each month a verified report, as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

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7. The authority herein granted to transfer property and issue stock shall apply only to such properties as may be transferred and to such stock as may be issued on or before December 15, 1920.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-eighth day of August, 1920.

DECISION NO. 8046.

IN THE MATTER OF THE APPLICATION OF BALBOA ISLAND TRANSPORTATION AND DEVELOPMENT COMPANY FOR AN ORDER AUTHORIZING THE ISSUANCE OF STOCKS AND BONDS.

Application No. 5888.

Decided September 1, 1920.

JURISDICTION—CONTRACTS TO OPERATE PUBLIC UTILITIES.—The Commission refuses to consider as agent an individual who has entered into a contract and lease with a municipality by which he will privately finance and operate a ferry service within the limits of such city. It is held that the individual is not acting as agent for the city but is a public utility subject to the jurisdiction of this Commission.

Applicant authorized to issue $4,500 par value of its capital stock in exchange for certain floating equipment and rights and to issue and sell, at not less than par, $12,000 face value of 5 per cent bonds, the proceeds to be used in the construction of a ferry boat and terminal facilities.

W. J. Carr, for Applicant.

BRUNDIGE, *Commissioner*.

OPINION.

Balboa Island Transportation and Development Company asks permission to issue $5,000 of its capital stock to J. A. Beek in payment for property to be transferred by him to applicant; to execute a trust deed and to issue and sell at face value $12,000 of 5 per cent bonds payable July 1, 1930.

Applicant was incorporated on or about May 12, 1920, with an authorized capital stock of $15,000, divided into 15,000 shares of $1 each. The corporation was formed for the purpose, among others, of operating a ferry system between Balboa and Balboa Island, both places being within the corporate limits of the city of Newport Beach, Orange County, California.

J. A. Beek, president of the company, testified that there was a considerable demand and need by residents of Balboa Island, and by farmers in the neighboring country to the north, for a permanent and efficient ferry service between the island and Balboa. The operation and maintenance of a ferry between these two points equipped to

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transfer automobile trucks and wagons will enable the residents of the island and of the neighboring country to the north to quickly reach the railroad station at Balboa, and thus save a detour of about twelve miles.

The record shows that J. A. Beek has agreed to transfer and assign to applicant property consisting of three small ferry boats, the "Bulldog," "Islander" and "Fat Fairy"; a redwood barge, 12 feet by 18 feet; a redwood barge 7½ feet by 14 feet; a pontoon 12 feet by 18 feet; a contract dated April 19, 1920, with the city of Newport Beach; a lease dated June 21, 1920, from Newport Beach; and to pay the organization expenses of the corporation, the expenses of the proposed bond issue and application to the Railroad Commission for authority to issue stock and bonds, provided the corporation issue to him $5,000 of stock. The estimated value of the ferry boats, barge and pontoon is reported at $3,700 and the expenses incident to organizing the new corporation at $500, making a total of $4,200. The order herein will permit the issue of $4,500 of stock in exchange for the properties, contract, lease and payment of expenses, to which reference has been made.

Applicant asks permission to execute a trust deed to secure the payment of $12,000 of ten-year 5 per cent bonds due July 1, 1930. Interest on the bonds begins to run from July 1, 1923. Applicant intends to and believes that it can sell its bonds at par to property owners on Balboa Island and vicinity. The testimony shows that it has received subscriptions for about $5,600 of the bonds. The proceeds obtained from the sale of bonds, applicant will use to build a ferry-boat barge and terminal facilities. The ferry boat barge is to be 50 feet long, 18 feet wide and 3 feet deep, with a deck of a length of 50 feet and breadth of 24 feet and is to be propelled by paddle wheels, one on each side, driven by heavy-duty internal combustion engine. The terminal to be constructed, according to the record, will consist of runways of a length of 40 feet and a width of 12 feet, extending from a dock built at the street end to a barge against which the ferry boat will land. The cost of the ferry boat and terminal facilities is estimated at from $10,000 to $12,000.

J. A. Beek, president of the Balboa Island Transportation and Development Company, has agreed to assign to the company a contract, Exhibit "A," dated April 19, 1920, and a lease, Exhibit "B," dated June 21, 1920, between him and the city of Newport Beach. It is urged in view of the contract and lease that J. A. Beek and his assignee, applicant herein, will operate a ferry as an agent of the city and that the ferry service will in effect be a municipal enterprise. If this contention were true, the Commission would have no jurisdiction over

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the affairs of the corporation. The Commission is unable to agree with the contention of counsel, and believes that the business which applicant intends to establish is of a public utility nature and that Balboa Island Transportation and Development Company is therefore subject to the Commission's jurisdiction. Being a public utility, it occurs to the Commission that applicant should obtain from the proper authorities a franchise to establish and operate a ferry. The authority herein granted will not become effective until applicant has obtained a franchise in form satisfactory to the Commission.

I herewith submit the following form of order:

ORDER.

Balboa Island Transportation and Development Company having applied to the Railroad Commission for permission to execute a trust deed, to issue stock and bonds, a public hearing having been held and the Railroad Commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required for the purposes specified herein, and that the expenditures for such purposes are not in whole or in part reasonably chargeable to operating expenses or to income;

It is hereby ordered, that J. A. Beek be and he is hereby authorized to transfer and assign to Balboa Island Transportation and Development Company the properties described in Exhibit "D," attached to the petition herein, and Balboa Island Transportation and Development Company to issue in payment for such properties $4,500 of its common capital stock.

It is hereby further ordered, that Balboa Island Transportation and Development Company be and it is hereby authorized to execute a trust deed substantially in the same form as that filed with the petition herein, and to issue and sell at not less than par $12,000 face value of 5 per cent ten-year bonds.

It is hereby further ordered, that the authority herein granted will not become effective until applicant has obtained from the proper authorities a franchise satisfactory in form to this Commission, nor until the Commission has by supplemental order approved such franchise.

The authority herein granted is subject to further conditions, as follows:

1. The approval herein given to execute a trust deed is for the purpose of this proceeding only and an approval in so far as this Commission has jurisdiction under the terms of the Public Utilities Act, and is not intended as an approval of said trust deed as to such other legal requirements to which said trust deed may be subject.

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2. The proceeds from the sale of the bonds herein authorized to be issued, shall be used by applicant to construct and acquire a ferry-boat and terminal facilities, as more particularly set forth in the petition herein.

3. Balboa Island Transportation and Development Company shall keep such record of the issue and sale of the stock and bonds herein authorized as will enable it to file on or before the twenty-fifth day of each month a verified report, as required by the Railroad Commission's General Order No. 24, which order in so far as applicable, is made a part of this order.

4. The authority herein granted will not become effective until Balboa Island Transportation and Development Company has paid the fee prescribed by the Public Utilities Act.

5. The authority herein granted will apply only to such trust deed as may be executed, and to such stock and bonds as may be issued, on or before December 31, 1920.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this first day of September, 1920.

DECISION No. 8048.

IN THE MATTER OF THE APPLICATION OF BELL WATER COMPANY FOR AN ORDER AUTHORIZING PURCHASE OF ADDITIONAL LAND AND WELL, AND AUTHORITY TO ISSUE NOTES THEREFOR.

Application No. 5947.

Decided September 1, 1920.

A. B. Shaub, for Applicant.

BY THE COMMISSION.

OPINION.

Bell Water Company applies for authority to issue notes aggregating $2,000 for part of the purchase price of additional land with a completed well thereon.

A public hearing on the application was held by Examiner Westover at Los Angeles.

Applicant's consumers increased from about 300 to about 400 during the past year. It acquired 18 new consumers during the past month and others are now coming upon the system at the rate of 10 to 15 monthly.

The testimony shows that applicant needs immediately increased supply of water and increased facilities for storing it. The lot which it wishes to purchase adjoins that on which its present plant is located.

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It is the highest point in the vicinity and will afford an excellent reservoir site as well as provide a completed 12-inch well to insure an additional supply of water.

It appears that the agreed price of $2,500 for the land and well is reasonable. Applicant is not indebted except for current expenses.

ORDER.

Bell Water Company having applied to the Railroad Commission for authority to issue note or notes for $2,000, a public hearing having been held thereon, and it appearing that the property proposed to be procured by the issue of the note is reasonably required for the purposes specified in this order and that such purposes are not in whole or in part reasonably chargeable to operating expenses or to income;

It is hereby ordered, that Bell Water Company be and it is hereby authorized to issue at not less than face value thereof promissory note or notes in the principal sum of $2,000 payable to Wm. W. Branlette, with interest at 7 per cent per annum at the rate of not less than $25 per month, including interest, said note or notes to be issued when applicant acquires a clear title to lot 1 in tract 3782, said tract being a subdivision of lot 30 of Grider and Hamilton's Bell tract, as per map recorded in book 2 of maps, page 94, Los Angeles County records, said lot being acquired by applicant for the purpose of a reservoir site and an added supply of water.

The authority herein contained is granted upon the following conditions:

1. Bell Water Company shall report to the Railroad Commission within twenty days after the issue of the note or notes herein authorized the fact and date of issue, face value, rate of interest and application of the proceeds of said note or notes, all in accordance with the Commission's General Order No. 24, which order, in so far as applicable, is made a part hereof.

2. The authority herein granted is conditioned upon the payment by applicant of the fee prescribed by the Public Utilities Act.

Dated at San Francisco, California, this first day of September, 1920.

DECISION NO. 8049.

IN THE MATTER OF THE APPLICATION OF SAN FRANCISCO-OAKLAND TERMINAL RAILWAYS FOR AUTHORITY TO PLEDGE AS COLLATERAL SECURITY GENERAL LIEN MORTGAGE BONDS.

Application No. 6062.

Decided September 1, 1920.

A. L. Whittle, P. O. Solon, by *P. O. Solon*, for Applicant.

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DEVLIN, *Commissioner.*

OPINION.

San Francisco-Oakland Terminal Railways asks permission to issue and pledge $9,000 face value of its general lien mortgage bonds.

Applicant reports that on August 16, 1920, a modified judgment for the sum of $5,000 and costs was entered against it in the Superior Court of the State of California in and for the county of Contra Costa in an action brought by Izora G. Mason, plaintiff, to recover damages for personal injuries; that in the opinion of applicant's attorney good grounds exist for the reversal of the judgment on appeal, and that, therefore, it desires to appeal from said judgment to the Supreme Court of the State of California. Applicant further reports that to provide for a stay of execution on the judgment it will be necessary for it to file an undertaking on appeal and stay bond in the sum of $10,600.

The record shows that the Massachusetts Bonding and Insurance Company has expressed a willingness to act as surety on the undertaking on appeal and stay bond, provided that applicant deposit with the insurance company its certificate of deposit for $5,903. To enable it to make this deposit, applicant intends to borrow from the First National Bank of Oakland $5,903 to be represented by a 6 per cent demand note, and secure the payment of such note by the deposit of $9,000 face value of its general lien mortgage bonds.

In Decision No. 1604, dated June 23, 1914 (Vol. 4, Opinions and Orders of the Railroad Commission of California, page. 1290), the Commission authorized San Francisco-Oakland Terminal Railways to issue $1,000,000 of general lien mortgage bonds as collateral security for an issue of notes in the sum of $650,000. The testimony of F. W. Frost, secretary of the San Francisco-Oakland Terminal Railways, shows that $243,000 of the $1,000,000 of bonds are now in the hands of the treasurer of the company.

The testimony shows that the general lien mortgage bonds which applicant desires to pledge will be deposited under a collateral pledge agreement, marked Exhibit "B," which provides that only in the event that San Francisco-Oakland Terminal Railways shall fail to pay the note which it intends to issue, and only after the bank shall have exercised its banker's lien on money on deposit to the credit of San Francisco-Oakland Terminal Railways, shall the general lien mortgage bonds be offered for sale, and that upon the payment of the note, together with interest, the bonds herein authorized to be pledged as collateral will be returned to applicant.

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Under the circumstances set forth in the petition herein and as explained at the hearing, I recommend that this application be granted and herewith submit the following form of order:

ORDER.

San Francisco-Oakland Terminal Railways having applied to the Railroad Commission for authority to issue and pledge $9,000 face value of its general lien mortgage bonds for the purposes set forth in the foregoing opinion, a public hearing having been held and the Railroad Commission being of the opinion that this application, subject to the conditions herein contained, should be granted;

It is hereby ordered, that San Francisco-Oakland Terminal Railways be and it is hereby granted authority to issue and pledge $9,000 face value of its general lien mortgage bonds with the First National Bank of Oakland as collateral security for the payment of a 6 per cent demand note, the proceeds of said note to be used in securing a $5,903 certificate of deposit, said certificate to be deposited with the Massachusetts Bonding and Insurance Company, which has agreed to act as surety on an undertaking on appeal and stay bond in a case entitled Izora G. Mason, plaintiff, vs. San Francisco-Oakland Terminal Railways, a corporation, defendant.

The authority herein granted is subject to further conditions as follows:

1. The bonds herein authorized to be issued and pledged shall be pledged under an agreement substantially in the same form as the agreement filed in this proceeding and marked Exhibit "B."

2. Upon the return to applicant of the bonds herein authorized to be issued and pledged, they shall be issued only upon further order from this Commission.

3. Applicant shall file with the Railroad Commission within ten days after its execution a copy of each and every agreement under which any of the bonds herein authorized to be pledged are deposited.

4. San Francisco-Oakland Terminal Railways shall keep a true account relative to the pledging of the bonds herein authorized, and on or before the twenty-fifth day of each month the company shall make verified reports to the Commission relative to the pledging of the bonds in accordance with the Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

5. The authority herein granted will not become effective until applicant has paid the fee prescribed by the Public Utilities Act.

6. The authority herein granted will apply only to such bonds as shall have been issued and pledged on or before November 1, 1920.

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The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this first day of September, 1920.

DECISION NO. 8051.

BAKERSFIELD AND LOS ANGELES FAST FREIGHT COMPANY, A CORPORATION.

vs.

E. A. KUYKENDALL.

Case No. 1477.

Decided September 2, 1920.

AUTO STAGE SERVICE—CERTIFICATES—REVOCATION OF. Upon formal complaint, where it is shown that the operator of an auto stage line for the transportation of freight has not observed his route or schedules, has refused to accept freight offered for transportation to points which he serves and has failed to reimburse shippers for losses sustained through nondelivery of shipments, his certificate will be revoked and cancelled. The certificate heretofore granted defendant to operate an auto freight line between Bakersfield and Los Angeles is annulled.

Geo. Clark, for Complainant.

John R. Layud, for Defendant.

OPINION.

Bakersfield and Los Angeles Fast Freight Company, a corporation, complains against E. A. Kuykendall, doing business under the fictitious name of Ridge Route Express, alleging illegal operation by defendant in that the route authorized under Decision No. 7063 on Application No. 4852, decided January 27, 1920, has not been observed; that defendant has operated illegally over a portion of the route covered by Decision No. 7063 on Application No. 4928 granting to George M. Duntley, predecessor in interest to complainant herein, the right to operate an automobile truck service as a common carrier of freight between Los Angeles and Bakersfield; that on numerous occasions defendant has taken freight at Los Angeles intended by shippers to be transported via the line of the complainant and has delivered same; that defendant has failed and refused to take shipments of freight offered by shippers to be delivered at the communities of Elizabeth Lake, Neenach and Fairmont, such communities being on the authorized route of defendant; that the schedule of defendant has not been observed; that on numerous occasions defendant has failed to reimburse shippers for losses of freight consigned to him for shipment.

Defendant, by his attorney, filed a written waiver of answer.

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A public hearing on this matter was conducted by Examiner Handford at Los Angeles, on August 25, 1920, the matter was duly submitted and is now ready for decision.

At the hearing the attorney for defendant admitted all allegations in the complaint with the exception of the allegation as to the failure of defendant to reimburse shippers for losses of freight consigned to him for shipment.

Witnesses for complainant testified as to the character of operation as conducted by defendant, that points on his authorized route were not served and that reimbursement had not been made for the value of shipments alleged to have been made and not delivered. Defendant offered no evidence in denial of the allegations of complainant and as defendant by his attorney has admitted all the allegations charged, with one exception, we are of the opinion and find as a fact that the operations of the defendant have not been conducted in accordance with the statutory law, the order of this Commission granting a certificate of public convenience and necessity (Decision No. 7063 on Application No. 4852, decided January 27, 1920) and the rules and regulations of this Commission, and that the prayer of the complainant should be granted in accordance with the following order:

ORDER.

A public hearing having been held in the above entitled proceeding, the matter having been duly submitted and the Commission being fully advised, and basing its order on the finding of fact as set forth in the preceding opinion;

It is hereby ordered, that the certificate of public convenience and necessity heretofore granted by this Commission to E. A. Kuykendall to operate an automobile truck service as a common carrier of freight between Bakersfield and Los Angeles serving as intermediate points the communities at Elizabeth Lake, Fairmont, Neenach, Sandberg's, Bailey's, Lebec, Fort Tejon and Rose Station, as contained in Decision No. 7063 on Application No. 4852, decided January 27, 1920, be, and the same hereby is revoked, cancelled and annulled.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this second day of September, 1920.

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DECISION No. 8052.

IN THE MATTER OF THE APPLICATION OF THE PACIFIC GAS AND ELECTRIC COMPANY, A CORPORATION, FOR AN ORDER OF THE RAILROAD COMMISSION AUTHORIZING APPLICANT TO AMEND ITS ELECTRIC RULE AND REGULATION No. 23.

Application No. 5837.

IN THE MATTER OF THE APPLICATION OF THE PACIFIC GAS AND ELECTRIC COMPANY, A CORPORATION, AS LESSEE OF THE PROPERTIES OF THE SIERRA AND SAN FRANCISCO POWER COMPANY, FOR AN ORDER AUTHORIZING APPLICANT TO AMEND RULE 3 OF THE SIERRA AND SAN FRANCISCO POWER COMPANY'S RULES AND REGULATIONS RELATING TO ELECTRIC SERVICE.

Application No. 5843.

Decided September 2, 1920.

Chas. P. Cutten, for Applicant.

DEVLIN, *Commissioner.*

OPINION.

In these proceedings Pacific Gas and Electric Company applies for authority to amend its electric rule and regulation No. 23, and as lessee of the properties of the Sierra and San Francisco Power Company, to amend rule 3 of that company's electric rules and regulations, both relating to the shortage of electric supply.

The proceedings were consolidated for hearing and decision. A hearing was held on July 12, 1920, in San Francisco and the matters thereupon submitted.

Both shortage rules now in effect have been heretofore approved by the Railroad Commission. However, by reason of past and present power shortages, and having in mind the possibility of their future recurrence, it appeared desirable to Pacific Gas and Electric Company that its rules and regulations clearly set forth for the information of its consumers the conditions of service to be rendered during a power shortage, its own power and authority, and that of the Railroad Commission in the apportionment of the available supply of electricity during such shortage. Applicant also contends that its rules and regulations should recognize the fact that Pacific Gas and Electric Company and Sierra and San Francisco Power Company, among other electric utilities, have agreed to carry out the orders and regulations of the power administrator appointed by the Railroad Commission, to whom was delegated certain powers and authority under agreement made by the electric utilities as set forth in Decision No. 7312 in Case No. 1426.

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The original applications proposed the retention of the existing rules in full, with the following addition to each:

> and, during the period of such shortage, the Railroad Commission of California, acting either directly or by a power administrator or other official to be appointed by it for that purpose, shall have the power to apportion among the company's consumers other than those to whom preference is to be given as hereinabove provided, the amount of energy available, and to establish such preference in the matter of the supply of electric energy among such other consumers as said Railroad Commission, acting as aforesaid, may from time to time deem that the public good requires.

It appeared at the hearing, however, that if changes were to be made in the existing rules and regulations, the addition of the proposed amendment alone would not fully meet either the purpose of the applicant or the views of the Commission. It was therefore stipulated at the hearing that the Commission would not be limited to the approval of the specific amendments proposed, but would be free to establish such rules and regulations relating to power shortage as it should find proper.

The present rules coupled with the proposed amendment are objectionable, in that any authority assumed by the Commission would be limited and subject to the priorities already established in the present rules of the company, and in that such would not provide for the extent to which the company would be required to act in the event of a shortage if the Railroad Commission should not assume jurisdiction.

After consideration of the evidence herein I am convinced of the necessity of a modification of the present rules governing power shortage and that the situation can be best met by cancelling the rules now in effect and in lieu thereof to establish the rules and regulations set forth in the order herein, to apply to both the Pacific Gas and Electric Company and to the Pacific Gas and Electric Company, lessee of Sierra and San Francisco Power Company.

I recommend the following form of order:

ORDER.

Pacific Gas and Electric Company having applied to the Railroad Commission for authority to amend its rules and regulations governing the shortage of electricity, both on its own behalf and as lessee of Sierra and San Francisco Power Company, a hearing having been held, the matters submitted and being now ready for decision:

The Railroad Commission of the State of California hereby finds as a fact that the present rules and regulations of the Pacific Gas and Electric Company and of the Sierra and San Francisco Power Company relating to power shortage are not just or reasonable rules and regulations, and that the rules and regulations hereinafter set

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forth are just and reasonable rules and regulations to govern the electric service of Pacific Gas and Electric Company to its consumers during power shortages.

Based on the foregoing findings of fact and upon the other findings of fact contained in the opinion which precedes this order;

It is hereby ordered, that Pacific Gas and Electric Company be and it is hereby authorized to cancel its rule and regulation No. 23 and rule and regulation No. 3 of the Sierra and San Francisco Power Company and to establish the following rules as the effective rules and regulations of Pacific Gas and Electric Company, and of Pacific Gas and Electric Company, lessee of Sierra and San Francisco Power Company, relating to power shortage, which rules and regulations shall become effective upon the filing thereof with the Railroad Commission:

The company will exercise reasonable diligence and care to furnish and deliver a continuous and sufficient supply of electric energy to the consumer, and to avoid any shortage or interruption of delivery of same. The company will not be liable for interruption or shortage or insufficiency of supply or any loss or damage occasioned thereby, if same is caused by inevitable accident, act of God, fire, strikes, riots, war, or any other cause not within its control.

The company, whenever it shall find it necessary for the purpose of making repairs or improvements to its system, will have the right to suspend temporarily the delivery of electric energy, but in all such cases, as reasonable notice thereof as circumstances will permit will be given to the consumers, and the making of such repairs or improvements will be prosecuted as rapidly as may be practicable, and if practicable, at such times as will cause the least inconvenience to the consumers.

In case of shortage of supply and during the period of such shortage, the company will make such apportionment of its available supply of energy among its consumers as shall be ordered or directed from time to time by the Railroad Commission of the State of California, acting either directly or by a power administrator or other official appointed by it for that purpose. In the absence of such order or direction by the Railroad Commission, the company will, in times of shortage, apportion its available supply of energy among all consumers in the most reasonable manner possible to continue service equitably and without discrimination.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this second day of September, 1920.

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DECISION NO. 8054.

IN THE MATTER OF THE APPLICATION OF THE GANSEN WAREHOUSE COMPANY, A CORPORATION, FOR AN ORDER AUTHORIZING THE ISSUE OF STOCK.

Application No. 5879.

Decided September 2, 1920.

Guy R. Kennedy, for Applicant.

MARTIN, *Commissioner*.

OPINION.

The Gansen Warehouse Company asks permission to issue $25,000 of its common stock, for the purpose of acquiring warehouse properties from A. R. Schluer and J. C. Carter and obtain working capital, as hereinafter set forth.

The Gansen Warehouse Company was organized on or about June 8, 1920, with an authorized stock issue of $25,000 divided into 2500 shares of the par value of $10 each.

The record shows that J. C. Carter and A. R. Schluer are the owners of lots 1, 2, 7 and 8 of block 59 of the city of Chico, with the improvements thereon, consisting of a warehouse and annex. The four lots cover half a block—132x264 feet—located about 1½ blocks from the Southern Pacific yards. The value placed upon the lots is $10,000, a value which appears to be comparable to the value of adjoining lots. The value of the warehouse and annex is reported at $10,000. In addition to the lots, warehouse and annex, J. C. Carter and A. R. Schluer have agreed to construct a spur track to the warehouse, the cost of which will be in excess of $2,600, to transfer to the corporation warehouse equipment valued at $2,200 and feed and grain worth $1,500. All of these properties they have agreed to transfer to the warehouse corporation free and clear of indebtedness in exchange for $24,700 of stock, one-half of the stock to be issued to J. C. Carter and one-half to A. R. Schluer.

Each of the incorporators, J. C. Carter, A. R. Schluer, and Ben E. Crouch, have agreed to purchase at par ten shares of stock. The three incorporators will own all of the company's outstanding stock and intend to conduct a general warehouse business.

I herewith submit the following form of order:

ORDER.

The Gansen Warehouse Company having applied to the Railroad Commission for permission to issue $25,000 of stock, a public hearing having been held and the Railroad Commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required for the purpose specified in this order

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and that the expenditures for such purpose are not in whole or in part reasonably chargeable to operating expenses or to income;

It is hereby ordered, that the Gansen Warehouse Company be and it is hereby authorized to issue $25,000 of its common capital stock.

The authority herein granted is subject to the following conditions:

1. Of the stock herein authorized to be issued $24,700 shall be delivered to J. C. Carter and A. R. Schluer in payment for lots 1, 2, 7 and 8 of block 59 of the city of Chico, together with the improvements thereon and the properties referred to in the petition herein, all of such properties to be transferred to the corporation free and clear of all encumbrances.

2. Of the stock herein authorized to be issued, $300 par value may be sold by applicant, for cash, at not less than par and the proceeds used for working capital.

3. The Gansen Warehouse Company shall keep such record of the issue and sale of the stock herein authorized and of the disposition of the proceeds as will enable it to file on or before the twenty-fifth day of each month a verified report, as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

4. The authority herein granted will apply only to such stock as may be issued, sold and delivered on or before December 15, 1920.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this second day of September, 1920.

DECISION NO. 8055.

IN THE MATTER OF THE APPLICATION OF WESTERN WATER COMPANY, A CORPORATION, FOR AN ORDER AUTHORIZING THE ISSUANCE OF TWO HUNDRED THOUSAND DOLLARS PAR VALUE OF ITS COMMON CAPITAL STOCK.

Application No. 5969.

Decided September 2, 1920.

Chickering and Gregory, by *Allen L. Chickering*, for Applicant.

MARTIN, *Commissioner*.

OPINION.

Western Water Company asks permission to issue $200,000 of its common stock and distribute such stock as a stock dividend.

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In Exhibit "1" applicant reports its assets and liabilities as of July 31, 1920, as follows:

Assets.	
Cash	$86,734 38
Accounts receivable	56,959 04
Current assets	42,258 18
Capital assets	824,879 93
Total assets	$1,020,831 53
Liabilities.	
Accounts payable	$28,611 59
Guarantee deposits	5,697 50
Depreciation	430,480 21
Income reinvested	198,872 07
Earnings undistributed	157,170 16
Capital	200,000 00
Total liabilities	$1,020,831 53

The Commission in Decision No. 6428, dated June 25, 1919, refers to a report prepared by its engineering department, in which the historical reproduction cost of the properties of Western Water Company, as of January 1, 1919, is reported at $762,885. From January 1, 1919, to July 31, 1920, the company reports an expenditure of $31,078.67 for additions and betterments, which, added to the $762,885, makes a total of $793,963.67. The company reports in Exhibit "3" a net investment in fixed capital as of July 31, 1920, of $824,879.93, which amount is $30,916.26, in excess of the historical reproduction cost of the properties as found by the Commission's engineers on January 1, 1919, plus the cost of additions and betterments from January 1, 1919, to July 31, 1920. For the purpose of this proceeding, it is not necessary to attempt to reconcile the difference between the net investment in the properties as reported in Applicant's Exhibit "3" and the historical reproduction cost of the properties as found by the Commission's engineers plus the cost of additions and betterments, to which reference has been made.

Applicant in its Exhibit "2" reports a surplus of $356,042.23, all of which, with the exception of $5,017.60, is said to represent actual earnings invested in applicant's properties. The $5,017.60 is said to represent an appreciation in the value of certain tangible properties purchased by the company. In arriving at its surplus, the company has made allowance for depreciation, and as of July 31, 1920, carries in its reserve for accrued depreciation $430,480.21. It is because of the investment of surplus earnings in its properties that applicant asks permission to issue $200,000 of its common stock and distribute such stock to its stockholders as a stock dividend. I believe that applicant should be permitted to issue $200,000 of its stock for the purpose of reimbursing its treasury because of earnings invested in

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properties, and thereafter distribute such stock as a stock dividend to its stockholders.

I herewith submit the following form of order:

ORDER.

Western Water Company having applied to the Railroad Commission for permission to issue $200,000 of its common stock, a public hearing having been held and the Railroad Commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required for the purpose specified in this order and that the expenditures for such purpose are not in whole or in part reasonably chargeable to operating expenses or to income;

It is hereby ordered, that Western Water Company be and it is hereby authorized to issue $200,000 of its common capital stock for the purpose of reimbursing its treasury on account of earnings invested in property.

The authority herein granted is subject to the following conditions:

1. The stock herein authorized shall be issued at par and after being used for the purpose of reimbursing applicant's treasury shall be distributed by applicant, as required and permitted by law, to its stockholders as a stock dividend.

2. Western Water Company shall keep such record of the issue and disposition of the stock as will enable it to file on or before the twenty-fifth day of each month a verified report, as required by this Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

3. The authority herein granted will apply only to such stock as may be issued on or before December 20, 1920.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this second day of September, 1920.

DECISION NO. 8056.

IN THE MATTER OF THE APPLICATION OF THE COUNCIL OF THE CITY OF RICHMOND, STATE OF CALIFORNIA, FOR AN ORDER PERMITTING THE CONSTRUCTION AND MAINTENANCE OF AN UNDERGRADE CROSSING ACROSS THE RAILROAD TRACKS OF THE ATCHISON, TOPEKA AND SANTA FE RAILWAY AT SIXTEENTH STREET IN THE CITY OF RICHMOND.

Application No. 4446.

Decided September 2, 1920.

GRADE SEPARATIONS—APPORTIONMENT OF COSTS OF.—When the Commission has authorized the opening of a street crossing under the single track roadway of the railroad company, apportioning the cost thereof equally between the

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city and the railroad company and the railroad subsequently desires that such crossing be so constructed that in the future it can double track its roadway, it is held that the additional cost of the double track structure should be borne entirely by the railroad company.

D. J. Hall, for Applicant.

Platt Kent, for The Atchison, Topeka and Santa Fe Railway Company—Coast Lines.

MARTIN, *Commissioner*.

FIRST SUPPLEMENTAL OPINION.

In Decision No. 6875 in Application No. 4446, rendered on November 28, 1919, the Commission made, in part, the following order: "It is hereby ordered, that the city of Richmond and the Atchison, Topeka and Santa Fe Railway Company be and the same hereby are ordered to construct an undergrade highway crossing at Sixteenth street, Richmond, at the point and in the manner shown by the maps attached to the application." The maps mentioned show a 60-foot single track through girder span on concrete abutments.

On April 5, 1920, the Atchison, Topeka and Santa Fe Railway Company filed a supplemental application with the Commission for an order authorizing the construction of a double track structure at Sixteenth street and petitioned that not more than one-half of the cost of building the double track bridge be assessed to the railway company. The railway company states that increased traffic over the line on which this structure is located requires that the existing single track line be double tracked in the near future, and that the Commission's order makes no provision for a double track structure.

The existing connection with the Southern Pacific Company's tracks was installed by the United States Railroad Administration under Decision No. 5810, Application No. 4102, in the latter part of 1918. The permit for these tracks passed by the city council of Richmond as Resolution No. 1142 on August 26, 1918, appears to be revocable at the pleasure of the board at any time on thirty (30) days' notice. From the testimony it appears that the railway company feels that the type of structure required at this point was not gone into thoroughly at the original hearing. The railway company evidently expected, in the case of a decision by the Commission in favor of the city, that a double track crossing would be ordered, as has been done on *main* line crossings elsewhere.

The city states that it has no objection to the installation of a double track structure but contends it does not see why it should be required to pay one-half of the cost of a structure designed for railway facilities not yet in existence and where the existing single track earth embankment of the railroad acts as a check to the city's growth and requires a grade separation in order that proper access may be had from one portion of the city to another.

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On important single main line tracks, which, due to growth of the state, will probably be doubled track within several years time, it has been the policy of the Commission to order the construction of double track structures for most of the main grade separations where highways run under the railroad. The case under consideration differs from the usual case in that the crossing is located on a branch line which has become important through the connection established with the Southern Pacific Company's main line. When the city filed the original application, the railroads were under government control and no one was in a position to know how long the connection with the Southern Pacific Company's tracks would be continued. The testimony given at the hearing of the original application shows that although the cost and length of span and its necessity were discussed by the railroad representatives at the hearing, no concern seemed to be given by them as to whether the structure proposed by the city was for single or double track. As the existing railroad embankment is for single track, it might properly be taken for granted that the city would apply for a single track structure along the lines shown on the plan attached to the application.

The common use of terminals by the various railroads has undoubtedly proved economical and of great public convenience, and it is probably the desire of the Santa Fe railway to continue the use of the Southern Pacific tracks from Richmond to Oakland pier. However, the company's testimony does not give any tangible evidence that an agreement had been reached between the two companies for such future joint operation.

The Santa Fe Railway Company did not ask at the hearing that one-half of the additional cost required for a complete double track structure be assessed to the city but asked merely that one-half of the cost of the additional *sub*structure required for double track be assessed to the city. They estimated the cost of half of the additional substructure required at twenty-five hundred dollars ($2,500). The company intended to place the additional girders for double track at its own cost at a later date.

Considering the circumstances surrounding the hearing of the original application, the fact that the existing railroad is a branch line which acts as an obstruction to the city's growth; that the second track is not an existing obstacle but is planned for the future, and that the railroad company seemed unable to give any definite testimony in regard to the continued use of this line in conjunction with the Southern Pacific tracks to Oakland pier or when they actually intended to install such double track, and considering further that this crossing is the only one on this line on which double track has been applied

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for it seems only reasonable to assess the additional cost of a double track structure entirely to the company. The following order is recommended:

FIRST SUPPLEMENTAL ORDER.

The Atchison, Topeka and Santa Fe Railway Company having applied to the Commission for a supplemental order authorizing the construction of a double track structure at Sixteenth street, Richmond, instead of the single track undergrade crossing ordered constructed in Decision No. 6875, and having further applied for an order assessing not more than one-half of the cost of such a double track substructure to the railway company; a public hearing having been held, the Commission being fully apprised in the premises and of the opinion that that portion of the supplemental application relating to the construction of a double track crossing should be granted and being of the belief that the cost of such double track crossing over and above the cost of a single track crossing should be paid for by the railway company and that none of such additional cost should be paid by the city for reasons discussed in the foregoing opinion;

It is hereby ordered, that the order in Decision No. 6875, Application No. 4446, made on November 28, 1919, be amended to read as follows:

It is hereby ordered, that the city of Richmond and the Atchison, Topeka and Santa Fe Railway Company be and the same hereby are ordered to construct a double track undergrade highway crossing at Sixteenth street, Richmond, at the point and along the lines shown on the maps attached to the original application of the city in so far as they can be applied to a double track structure; said construction to be made subject to the following conditions, viz:

1. The undergrade highway crossing shall be constructed to conform to the Commission's General Order No. 26.

2. The entire expense of constructing that portion of the crossing equivalent to a single track undergrade crossing for the existing railroad fill shall be borne fifty (50) per cent by the city of Richmond and fifty (50) per cent by the Atchison, Topeka and Santa Fe Railway Company. The cost of such portion of the undergrade crossing as is necessary to provide for the addition of the second or double track, shall be borne by the Atchison, Topeka and Santa Fe Railway Company.

3. The city of Richmond shall have the right to raise the necessary funds for its portion of the expense of this construction, in such manner under the laws of California as the city council shall deem proper.

4. The Commission reserves the right to make such further orders relative to the location, construction, operation, maintenance and pro-

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tection of said crossing as to it may seem right and proper, and to revoke its permission if, in its judgment, the public convenience and necessity demand such action.

The foregoing first supplemental opinion and order are hereby approved and ordered filed as the supplemental opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this second day of September, 1920.

DECISION NO. 8057.

IN THE MATTER OF THE APPLICATION OF E. E. KNIPE AND WIFE, GRACE E. KNIPE, AND W. C. CLARK AND WIFE, ELIZABETH CLARK, OWNERS OF A WATER PLANT, FOR DISCONTINUANCE OF PUBLIC UTILITY WATER SERVICE.

Application No. 5705.

Decided September 2, 1920.

WATER SERVICE—ABANDONMENT OF.—The petition of applicants to abandon the distribution of water as a public utility so that their supply will be available for their own lands only is denied, as there is no shortage of water warranting such discontinuance of service, which, if permitted, would work considerable hardship on consumers of applicants.

E. E. Knipe and *W. C. Clark*, for Applicants.

W. M. Witty, J. E. Dill, M. Guyon and *O. Brunsky, in propria personæ.*

BRUNDIGE, *Commissioner.*

OPINION.

Applicants in the above entitled matter are the owners of a public utility water system located approximately 1½ miles southwest of the town of Garden Grove, Los Angeles County, California, from which system they are serving water for irrigation purposes to five consumers, and in this proceeding authority is asked to discontinue such public utility service, it being alleged by them that there is an insufficient supply of water produced by the system to enable them to continue as a public utility.

A public hearing in this matter was held in Los Angeles on June 14, 1920, and a field investigation was made by a representative of the Commission's engineering department.

It appears that about two years ago applicants purchased the water system in question, together with the lands upon which it is situated, but did not understand at the time their obligations as a public utility. At the time of the purchase only a small portion of their own land was under cultivation or had received water from the system. At the present time, however, applicants have made arrangements to plant the remainder of their land to oranges and lemons, and they express

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a doubt that their present pumping plant is adequate to continue service to their five consumers and supply sufficient water for the development of their own lands, for which purpose they claim the pump was originally installed. It was stated as a fact and admitted by applicants that there is not a shortage of water at the present time.

At the hearing certain consumers, most of whom were recent purchasers of land, testified that they had bought said land with the understanding that water had always been furnished from the irrigation system in question, and applicants themselves had assured the purchasers that such service would be continued. It appears that the only other supply of water available would be by means of wells and pumping equipment installed by the land owners, which is a financial burden which it is claimed they are unable to assume.

Taking into consideration the opposition expressed at the hearing, and the fact that it is admitted that a shortage of water does not exist at the present time, it does not appear to be just and reasonable to permit applicants to discontinue a public utility service to consumers who are wholly dependent thereon for the purpose of transferring water service to lands owned by applicants which have not heretofore required such service. An additional water supply can be obtained if needed to develop additional lands by the installation of pumping equipment of greater capacity.

I submit the following form of order:

ORDER.

Application having been made to the Railroad Commission as entitled above, a public hearing having been held and the Commission being fully apprised in the premises:

It is hereby found as a fact that no good and sufficient reason has been presented for the granting of said application; and

Basing its order upon the foregoing finding of fact and upon the other statements of fact set out in the opinion which precedes this order;

It is hereby ordered, that the above entitled application be and it is hereby denied.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this second day of September, 1920.

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DECISION NO. 8058.

WILLIAM H. NEFF

vs.

PORT COSTA WATER COMPANY, A CORPORATION.

Case No. 1418.

Decided September 2, 1920.

WATER SERVICE—DEDICATION OF—LIMITATIONS DUE TO ELEVATION.—A water company which, in the dedication of its service, has specified a certain elevation above which it will not attempt to render service will not be required to exceed such limitations. Defendant directed to serve the residence of complainant with water for domestic use, provided the point of service from defendant's main shall not exceed an elevation of 170 feet above sea level.

Courtney L. Moore, for Complainant.

A. E. Shaw, for Defendant.

BY THE COMMISSION.

OPINION.

Complainant alleges that he is the owner of lot 3, block 9, first addition to the town of Crockett, fronting on Virginia street, and the house constructed thereon; that defendant is a public utility serving water through mains within 100 yards of complainant's lots; that he has applied for service but does not allege a refusal of defendant to serve him but prays an order requiring service of water to complainant for domestic uses in and about his house.

The answer alleges that defendant was proceeding to lay a main in the state highway along the tract in question but was prevented from so doing by one Thos. Hanna, predecessor in title to the complainant; that complainant and his immediate neighbors are receiving an adequate supply of water from defendant's system through its mains laid in the said state highway and a private service of one of its consumers; and that said Hanna heretofore filed a complaint against defendant in Case No. 1260 to compel defendant to extend its main and serve water to lot 4, block 10, in said tract in the vicinity of complainant's lots; that said complaint was subsequently dismissed; and that no new conditions have arisen which would require any other or different determination.

It is to be inferred that defendant was proceeding to serve complainant as requested when its work of laying the main was stopped.

A public hearing in the case was held by Examiner Westover at Crockett.

In Case No. 1260, referred to in the answer, a hearing was held by Examiner Westover, at which it developed that defendant was unable to give adequate service above a certain elevation on the hills which form a large part of the town of Crockett. The testimony in this

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case was to the effect that at about the time of the hearing of Case No. 1260 the Commission's chief hydraulic engineer, in company with the defendant's superintendent, went over its system for the purpose of determining the elevation at which reasonably good service could be given; that this elevation was agreed upon as 170 feet above sea level, and defendant thereupon published a notice to the effect that it would not attempt service at higher elevations, and it thereupon caused a survey and plat to be made showing the location of the 170 foot contour line in reference to the territory served by defendant.

Most of the testimony presented at the hearing related to the obligation, if any, upon defendant to serve lots lying above the 170-foot contour line at a considerably higher elevation than complainant's residence and as to the route to be followed by defendant's mains in furnishing service to complainant, for it developed that defendant did not refuse to serve the complainant but sought to serve him by laying a main along the state highway, known also as Pomona street, rather than lay its main along Virginia street, reaching an elevation slightly below the 170-foot elevation, believing that it could give better service and better pressure by laying the main in the state highway.

The tract in which complainant's lot is located was subdivided and practically all sold by Thos. R. Hanna, whose company owns the adjoining land on the upper side of the hills and who wishes to have water served at high elevations to be better prepared to subdivide and sell the adjoining acreage if he later wishes to do so.

In conveying an easement for the state highway, known also as Pomona avenue, he expressly reserved all rights to lay pipes, wires, sewers, mains and conduits in the roadway. In his subdivision he left a 10-foot right-of-way for such uses, which extends at right angles with the state highway connecting it with Virginia street, which substantially parallels it. Except for a short stretch, Virginia street grade lies above the 170-foot elevation.

Mr. Hanna testified that one of his purposes in stopping the laying of the mains in the state highway, for which defendant had procured a permit from the State Highway Commission, was that by requiring the mains to be laid in Virginia street he would bring water from defendant's system nearly to or possibly above the 170-foot contour line, already referred to. He and his attorney stipulated, however, that if the main were laid in Virginia street and complainant served thereby he would not, because of that circumstance, demand that defendant later serve water at higher elevations than 170-foot elevation referred to nor upon property shown by defendant's survey as lying on the hills above the 170-foot contour line.

Defendant serves water in several towns along the straits of Carquinez and vicinity, its main source of supply being a group of wells

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near Concord, Contra Costa County, from which water is piped and stored in tanks or reservoirs in various locations. The Crockett supply is pumped from the mains by a booster plant located near the Southern Pacific station, by which water is lifted into a 96,000 gallon tank at an elevation of about 216 feet and into a 30,000 gallon tank at an elevation of about 266 feet.

Most of the town of Crockett, a large part of the residential portion of which is located on steep hillsides, is served from these two tanks. Defendant also maintains a 5000 gallon high level tank at an elevation of about 285 feet, supplied by a small auxiliary pumping plant which serves about 47 consumers including a few in the vicinity of complainant. This auxiliary tank is about 2500 to 3000 feet distant from the lot of complainant.

The position of defendant as to its general obligation to serve is that it has dedicated its water to public use at levels not exceeding 170 feet and that to make its position clear and avoid misunderstandings, it caused the notice to that effect to be published; and further that the service of water from the 5000 gallon tank at the 285-foot level is not a dedication to public use at such levels except in the immediate vicinity of the tank.

The testimony of defendant showed that its present water supply is not adequate to fully satisfy its present demands; that the town of Crockett is growing and demands upon its system at lower elevations than 170 feet are increasing; that it is boring and developing new wells because of its need of water and that water bearing lands purchased by it near Concord for the purpose of further developing its supply are in litigation as a result of complaint by neighboring ranchers that pumping of water from wells on the newly acquired land will reduce the water level in the wells of the ranchers and greatly reduce their supply of water.

Mr. Hanna's position is that the circumstance that defendant is serving some patrons from the small tank at the 285-foot elevation constitutes a dedication of water to public use at elevations which can be conveniently served from said tank and at distances 3000 feet or more away from it.

We have taken occasion to discuss the general situation at considerable length in order to avoid any misunderstandings between the parties or patrons of defendant or buyers of hillside property in and about Crockett lying at elevations above the 170-foot contour line.

We wish it to be distinctly understood that the Commission does not hereby require service above the 170-foot elevation, although it may develop that part of the main used in serving complainant may be placed above the 170-foot elevation in order to serve his premises lying at a somewhat lower elevation.

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ORDER.

A public hearing having been held upon the above entitled case, the matter having been submitted and being now ready for decision;

It is hereby ordered, that defendant serve water to complainant on lot 3, block 9 of the first addition to the Bay addition to the town of Crockett, for domestic uses, provided that the point of service from defendant's mains shall not exceed an elevation of 170 feet above sea level.

Dated at San Francisco, California, this second day of September, 1920.

DECISION No. 8069.

IN THE MATTER OF THE APPLICATION OF BOULDER CREEK ELECTRIC LIGHT AND WATER COMPANY, A CORPORATION, AND MOUNTAIN LIGHT AND WATER COMPANY, A CORPORATION, AND W. H. BISSELL AND J. C. HUGHES.

Application No. 5930.

Decided September 3, 1920.

BY THE COMMISSION.

FIRST SUPPLEMENTAL ORDER.

Whereas, the Railroad Commission by Decision No. 8008, dated August 26, 1920, authorized Boulder Creek Electric Light and Water Company, among other things, to issue bonds and stock, and execute a mortgage or deed of trust; and

Whereas, the Superior Court of the State of California, in and for the city and county of San Francisco, by an order and decree dated September 2, 1920, changed the corporate name of Boulder Creek Electric Light and Water Company to Santa Cruz County Utilities; and

Whereas, applicant requests permission to issue the bonds and stock, execute the mortgage or deed of trust and perform all other acts authorized by the order in Decision No. 8008, dated August 26, 1920, in its present corporate name, Santa Cruz County Utilities, and the Commission being of the opinion that applicant's request should be granted; now, therefore,

It is hereby ordered, that the order in Decision No. 8008, dated August 26, 1920, be and it is hereby modified so as to permit all acts therein authorized to be performed by Boulder Creek Electric Light and Water Company, to be performed in its present corporate name of Santa Cruz County Utilities.

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It is hereby further ordered, that the order in Decision No. 8008, dated August 26, 1920, shall remain in full force and effect, except as modified by this first supplemental order.

Dated at San Francisco, California, this third day of September, 1920.

DECISION NO. 8070.

IN THE MATTER OF THE APPLICATION OF THOMAS J. ROURKE AND ELLA M. ROURKE, HIS WIFE, OWNERS OF A WATER PLANT, TO ABANDON PUBLIC UTILITY SERVICE.

Application No. 5436.

Decided September 4, 1920.

WATER SERVICE—ABANDONMENT OF—RATES FOR.—Consumers can not expect to benefit through continued water service unless they are willing to pay rates which will provide an adequate return to the operators of such system. It being shown in the present instance that consumers of applicant have no other source of water supply and would be greatly injured through the discontinuance of such service, petition to abandon service is denied and an increased schedule of rates established on a yearly minimum basis.

Paul J. Otto, for Applicants.

L. O. Lopez, for certain consumers.

BRUNDIGE, *Commissioner*.

OPINION.

This is an application by Thomas J. Rourke and Ella M. Rourke, his wife, who own and operate a small water utility, for authority to discontinue service or for authority to charge increased rates.

Applicants herein sell water for domestic and irrigation purposes to a colony of Mexicans residing in a small town some two and one-half miles south of Azusa, Los Angeles County, there being approximately 500 people in the colony. Applicants allege in effect that the present charge for water of 90 cents per hour's operation of the pump does not yield sufficient revenue to meet operating expenses of the plant. It is also alleged that during certain periods of the year the Azusa Irrigation Company wastes water through a ditch which passes through this colony, and at such times this waste water is used by applicants' consumers free of charge. By reason of this fact applicants herein receive no revenue from these consumers during this period, although their plant must be maintained.

Applicants pray that the Commission permit them to discontinue service, or establish a schedule of rates which will be compensatory. The water supplying the colony in question is pumped from a well and delivered by applicants to the northeast corner of the tract, on Bonita avenue. From this point the consumers have installed mains to transport the water to cisterns, from which they use it as needed.

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At the hearing herein applicants filed an exhibit purporting to show that the cost of delivering water to these consumers was $2.43 per hour's operation of applicants' pump. The Commission's engineers estimated a cost of $2.48 per hour's operation of the pump. It appears that in the early part of the present year Mr. Rourke and his consumers entered into an agreement to increase the rate for service from 90 cents to $2.50 per hour's operation of the pump. This increased rate schedule decreased the use of water very materially, and only $222.25 revenue has been received during the past six months.

This system was originally installed by Mr. Rourke and operated in conjunction with a store. Mr. Rourke has since severed his connection with the store, and now operates a ranch. The ranch has not as yet yielded any income to applicants, and therefore at this time they have no other income than that derived from the water system. It is claimed by Mr. Rourke that the operation of the water system requires so much of his time that he is unable to accept another position by which to earn a livelihood.

It appears from the evidence that there is no other source of water supply available for these 500 residents of the Mexican colony, and that the discontinuance of service by applicants would work a hardship upon these consumers. However, the evidence shows that a number of the consumers are willing to pay a higher rate for water in order to have this service continued. The fact that consumers of this system store their water in cisterns will enable applicants to operate their pump plant only a small portion of the time, and I am of the opinion that if a rule is established authorizing applicants to operate their pump plant only in the early portion of each month, a large part of the hardship now worked upon Mr. Rourke will be eliminated.

The consumers of this system can not expect to have service continued unless they are willing to pay a reasonable rate for the service rendered.

It is fair to applicants that a rate schedule be established which will assure them a fair income, not subject to the uncertainty which now exists owing to the use of the waste water from the system of the Azusa Irrigation Company. To accomplish this it appears desirable that an annual minimum charge be established for each consumer. It further appears advisable that the consumers unite and appoint as a representative some responsible person to act in their behalf in their dealings with applicants. The person appointed should preferably be qualified to interpret their language.

I submit herewith the following form of order:

ORDER.

Thomas J. Rourke and Ella M. Rourke, his wife, having hade application for authority to discontinue public utility service or to establish

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fair and reasonable rates, a public hearing having been held, and the Commission being fully apprised in the premises:

It is hereby found as a fact that public convenience and necessity require the continuance of the operation of this system.

And it is hereby further found as a fact that the rate heretofore charged by applicants is unjust and unreasonable, and that the rates herein established are just and reasonable rates.

And basing its order upon the foregoing findings of fact and upon the further statements of fact contained in the opinion preceding this order;

It is hereby ordered, that the application of Thomas J. Rourke and Ella M. Rourke, his wife, for authority to discontinue service be and it is hereby denied.

It is hereby further ordered, that Thomas J. Rourke and Ella M. Rourke, his wife, be and they are hereby authorized to file with the Railroad Commission within twenty (20) days from the date of this order, and thereafter charge the following rates for water delivered to their consumers:

Rate Schedule.

Minimum annual payment for each family, $9. This annual charge shall be due and payable on January first of each year, and completed payment shall be made not later than March first of each year. In addition to the above annual charge minimum monthly charge of 75 cents for each family entitling it to the entire discharge from the pump for one-half hour per month.

Excess Water.

For the full discharge of the pump, $2.50 per hour. For the remainder of the year 1920 the annual charge shall be prorated and collectible within twenty (20) days of the effective date of this order.

It is hereby further ordered, that applicants herein be and they are hereby directed to file with this Commission within thirty (30) days from the date of this order, for its approval, rules and regulations providing for the establishment of a schedule for the operation of its pump plant, which schedule shall state that the pump will be operated on or as near the first of each and every month as convenient, and for the operation of the pump continuously until all storage that is ready to receive water is served; and applicants shall not be required to start their pump for less than two hours' service.

It is hereby further ordered, that applicants be and they are hereby directed to put into effect the rules and regulations submitted as amended and approved by this Commission.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this fourth day of September, 1920.

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DECISION No. 8071.

IN THE MATTER OF THE APPLICATION OF OCEAN SHORE RAILROAD COMPANY FOR AN ORDER PERMITTING IT TO DISCONTINUE OPERATING ITS LINE OF RAILROAD BETWEEN ITS SOUTHERLY CROSSING OF SAN BRUNO AVENUE, IN THE CITY AND COUNTY OF SAN FRANCISCO, AND TUNITAS, IN THE COUNTY OF SAN MATEO, THE SOUTHERLY TERMINUS OF ITS SAN FRANCISCO DIVISION, AND TO REMOVE ITS TRACK AND ALL APPURTENANCES THERETO CONSTITUTING THE SAID LINE OF RAILROAD.

Application No. 6070.

Decided September 8, 1920.

BY THE COMMISSION.

ORDER.

Whereas, the above named Ocean Shore Railroad Company filed herein its application for leave to discontinue service and abandon its line; and

Whereas, pending the hearing of said application said company has discontinued service over its said line; and

Whereas, said company urges as a reason and necessity for such discontinuance that practically all of its operating force has quit its employ; and

Whereas, said company has been negotiating with the governmental authorities of the city and county of San Francisco with a view to effecting some method by which switching service may be resumed and continued pending the order of this Commission to be made in the above entitled matter, which said negotiations have resulted in the execution of an agreement between the said city and county of San Francisco and the said Ocean Shore Railroad Company, which said agreement has been filed herein and is hereby referred to; and

Whereas, it appears to this Commission that, by the terms of said agreement, the said company may and will be permitted to continue its said switching service through the agency and with the aid of said city and county of San Francisco for and during the time in said agreement designated; and

Whereas, said agreement was made subject to the approval of this Commission; now, therefore,

It is hereby ordered, that said agreement be and is hereby approved; provided, however, that this approval shall not be considered in any degree as any release from, modification in, or change of the legal obligation of said Ocean Shore Railroad Company to the public until further order of this Commission; and, provided, further, that the approval herein given of said agreement is for the purpose of enabling said company to resume and maintain its switching operations only and an approval in so far as this Commission has jurisdiction

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under the terms of the Public Utilities Act, and is not intended as an approval of said agreement as to such other legal requirements to which said agreement may be subject.

Dated at San Francisco, California, this eighth day of September, 1920.

DECISION NO. 8073.

IN THE MATTER OF THE APPLICATION OF NEEDLES GAS AND ELECTRIC COMPANY REQUESTING THAT THE RAILROAD COMMISSION ESTABLISH REASONABLE RATES FOR ELECTRIC, GAS AND TELEPHONE SERVICE SUPPLIED TO ITS CUSTOMERS IN THE CITY OF NEEDLES AND SURROUNDING TERRITORY.

Application No. 5083.

Decided September 10, 1920.

GAS SERVICE AND RATES.—It is held that due to the present high cost of oil the continued operation of small gas plants such as applicant's is impossible except at relatively high rates per thousand cubic feet; that if consumers expect to receive continued service of good quality they must expect to meet the increasing cost of operation, otherwise the discontinuance of service must ultimately result. Rates of applicant for gas service increased 55 cents per thousand cubic feet.

R. S. Masson and *G. E. Tench*, for Applicant.

Ben Harrison, for city of Needles.

J. M. Foster, for certain protestants.

J. H. May, for certain protestants.

BY THE COMMISSION.

OPINION.

Needles Gas and Electric Company, a utility rendering gas, electric and telephone service in the city of Needles and surrounding territory in Riverside County, in its application asks that this Commission fix just and reasonable rates for gas, electric and telephone service rendered by it.

The application was filed on October 28, 1919, and a hearing held in this proceeding on January 26, 1920, at Needles before Examiner Satterwhite. At about the time the hearing was held a change was being effected in applicant's control and management, and the new management thereafter requested that the Commission delay the decision in this matter while steps were taken to improve service conditions and to determine whether, by certain economies, the property could be operated without the necessity of further increasing the rates. For these reasons the decision herein has been pending until the present time.

After the operation of the property under the new management for approximately six months, the Commission received advices from Mr. R. S. Masson, applicant's general manager, that relief in the form of higher rates was imperative. In the light of all the facts now before the Commission the matter is ready for decision.

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An analysis of the operations of the electric department of Needles Gas and Electric Company shows that under existing conditions the rates now in effect, with increased minimum charges, will produce a normal rate of return upon the company's property. Its rates for electric service, including the surcharges heretofore granted, are at present relatively high, and it does not appear that any general increase should now be made in its electric rates. We conclude, however, that the request of applicant for an increase in the minimum charge for electric service is warranted.

The rate charged for gas in 1917 was $1.75 per thousand cubic feet. The Commission, in Decision No. 5708, dated August 26, 1918 (Opinions and Orders of the Railroad Commission of the State of California, Vol. 15, page 1093), authorized applicant to increase its gas rates by the addition of a surcharge of 30 cents per thousand, making the rate $2.05 per thousand: The price of oil paid by applicant in 1917 was $1.23 per barrel f. o. b. Needles. On July 1, 1920, the price had increased to $2.57 per barrel, and since that time there has been a further increase of 12 cents per barrel in the field prices of oil, and an additional increase in freight charges of 20 cents per barrel, as a result of which oil now costs applicant about $2.90 per barrel f. o. b. Needles.

The increase in cost of delivery of gas by applicant from 1917 to and including the last increase in price of oil will be approximately 96 cents per thousand sold. Applicant has to date received an increase of 30 cents per thousand. From a study of the operations of the company for 1919 and 1920 to date, and with corrections made for economies in operation, it appears that applicant should be granted at this time a further increase in rates for gas service of at least 55 cents per thousand cubic feet. Even with such an increase its earnings for the gas property will be relatively low.

The operation of small gas plants, such as this one, at a reasonable profit is impossible except at relatively high rates per thousand cubic feet. Applicant's consumers must expect to pay sufficient rates so that the service in this community may be continued and a good quality of service rendered. Unless rate increases are granted to meet rising costs of operation, discontinuance of service must ultimately result, as neither the Commission nor the public can expect continued operation without remuneration.

No modification is made in applicant's rates for telephone service at this time. However, such changes in telephone rates as shall be found proper will be covered by a supplemental order.

ORDER.

Needles Gas and Electric Company having applied to the Commission for the determination of just and reasonable rates for electric,

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gas and telephone service, a hearing having been held and the matter being submitted and now ready for decision:

The Railroad Commission hereby finds as a fact that the rates for gas and electricity now charged by Needles Gas and Electric Company, in so far as they differ from the rates hereinafter established, are not just and reasonable rates and that the rates hereinafter set forth are just and reasonable rates for gas and electric service supplied by Needles Gas and Electric Company.

Basing its order on the foregoing findings of fact and on the other findings of fact contained in the opinion which precedes this order;

It is hereby ordered, that Needles Gas and Electric Company be and it is hereby authorized to charge and collect for electric service supplied the following rates, applicable to all bills rendered based upon regular meter readings taken on and after the twentieth day of September, 1920:

SCHEDULE A.

Domestic and Residence Service.

Territory.
Entire territory served by company.

Rate.
First 20 kilowatt hours per meter per month____ 16½ cents per kilowatt hour
All over 20 kilowatt hours per meter per month____ 11½ cents per kilowatt hour

Minimum Charge.
$1.50 per meter per month.

Special Conditions.
Motors of ½ horsepower or less capacity may receive service under this schedule.

SCHEDULE B.

Commercial Lighting Service.

Territory.
Entire territory served by company.

Rate.
For an amount of energy equal to or less than 75 hours' use per month of the maximum demand, the rate to be 15 cents per kilowatt hour. For all energy in excess of the above the rate to be 9½ cents per kilowatt hour.

Minimum Charge.
$1 per month per kilowatt or fraction thereof of the maximum demand, but in no case less than $1 per month.

Special Conditions.
The maximum demand shall be determined by test or inspection by the company. The company will notify the consumer of such test so that he may be present if he so desires.

SCHEDULE C.

Refile schedule C, increasing the unit rates therein set forth by 1½ cents, the amount of the surcharge heretofore in effect.

SCHEDULE D.

Refile the existing schedule D.

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It is hereby further ordered, that Needles Gas and Electric Company be and it is hereby authorized to charge and collect for gas service, the following rates applicable to all bills rendered based upon regular meter readings taken on and after the twentieth day of September, 1920:

SCHEDULE A.

Domestic and Residence Service.

Territory.

Applicable to entire territory served.

Rate.

First	500 cubic feet or less per meter per month--	$1.50
Next	2500 cubic feet or less per meter per month--	2.70 per thousand cubic feet
Next	7000 cubic feet or less per meter per month--	2.40 per thousand cubic feet
Over	10000 cubic feet or less per meter per month--	2.20 per thousand cubic feet

SCHEDULE B.

Commercial Service.

Territory.

Applicable to entire territory served.

Rate.

(a) Readiness-to-Serve Charge:

$3 per meter per month.

(b) Consumption Charge:

First 25,000 cubic feet per meter per month-----	$1.80 per thousand cubic feet
Over 25,000 cubic feet per meter per month-----	1.40 per thousand cubic feet

The total charge is the sum of the readiness-to-serve and consumption charges.

Provided, Needles Gas and Electric Company shall within ten days of the date of this order file with the Railroad Commission the schedules of electric and gas rates herein authorized.

Dated at San Francisco, California, this tenth day of September, 1920.

DECISION No. 8074.

IN THE MATTER OF APPLICATION OF CARRIERS FOR THEMSELVES AND ON BEHALF OF CARRIERS PARTIES TO THEIR TARIFFS FOR RELIEF FROM THE LONG AND SHORT HAUL PROVISIONS OF SECTION 21, ARTICLE XII, OF THE STATUTES OF CALIFORNIA, AND SECTION 24 (a) OF THE PUBLIC UTILITIES ACT RELATING TO INTERMEDIATE FREIGHT RATES IN EXCESS OF RATES TO MORE DISTANT POINTS.

SOUTHERN PACIFIC COMPANY FOR ITSELF AND CARRIERS PARTIES TO ITS INDIVIDUAL TARIFFS.

Application No. 6049.

NORTHWESTERN PACIFIC RAILROAD COMPANY.

Application No. 6057.

F. W. GOMPH, IN THE NAME AND ON BEHALF OF THE SOUTHERN PACIFIC COMPANY (JOINT TARIFF).

Application No. 6058.

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F. W. GOMPH, IN THE NAME AND ON BEHALF OF THE CALIFORNIA WESTERN RAILROAD AND NAVIGATION COMPANY, ATCHISON, TOPEKA AND SANTA FE RAILWAY, NORTHWESTERN PACIFIC RAILROAD AND THE SOUTHERN PACIFIC COMPANY.

Application No. 6061.

ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY.

Application No. 6063.

F. W. GOMPH, IN THE NAME AND ON BEHALF OF THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY (JOINT TARIFF).

Application No. 6064.

F. W. GOMPH, IN THE NAME AND ON BEHALF OF THE LOS ANGELES AND SALT LAKE RAILROAD COMPANY AND THE PACIFIC ELECTRIC RAILWAY COMPANY.

Application No. 6076.

Decided September 13, 1920.

LONG AND SHORT HAUL PROVISIONS—VIOLATIONS OF—CONTINUANCE OF.—After hearing and investigation, common carriers, applicants in the present proceeding, are authorized to continue in effect violations of the long and short haul provisions of the state constitution and Public Utilities Act, as shown to exist in tariffs listed in the order herein, provided that all rates herein authorized are subject to complaints, investigation and correction.

E. W. Camp, for Atchison, Topeka and Santa Fe Railway Company.

H. C. Booth, for Southern Pacific Company and Northwestern Pacific Railroad.

G. H. Baker, for Atchison, Topeka and Santa Fe Railway Company.

F. W. Gomph, Agent for Southern Pacific Company, Northwestern Pacific Railroad, Atchison, Topeka and Santa Fe Railway Company and Western Railroad and Navigation Company.

Seth Mann, by *H. M. Remington*, for San Francisco Chamber of Commerce.

LOVELAND, *Commissioner*.

OPINION.

In this proceeding the carriers mentioned above for themselves and on behalf of the carriers parties to their tariffs and to the tariffs of the Pacific Freight Tariff Bureau seek authority to continue charging the rates now published in tariffs on file with this Commission which are in violation of section 21, Article XII of the Statutes of California, and section 24 (a) of the Public Utilities Act.

The Commission has heretofore considered the violative freight rate situations in Cases Nos. 214 (a)-(i) inclusive, and by decisions rendered June 19, 1916, (Vol. 10, Opinions and Orders of the Railroad Commission, pages 354–412) authorized carriers to continue rates greater for a shorter than for a longer distance over the same line or route.

In Decision No. 3436, Case No. 214 (a), *supra*, we said:

"The applications presented in this case were originally filed December 30, 1911, in compliance with an order promulgated by this Commission October 26, 1911. Prior to October 10, 1911, section 21 of Article XII of the constitution of this state forbade the charging of a greater compensation for a short haul than for a

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long haul, the short haul being included within the long. On that date this section of the constitution was amended so that it now reads as follows:

"'No discrimination in charges or facilities for transportation shall be made by any railroad or other transportation company between places or persons, or in the facilities for the transportation of the same classes of freight or passengers within this state. It shall be unlawful for any railroad or other transportation company to charge or receive any greater compensation in the aggregate for the transportation of passengers or of like kind of property for a shorter than for a longer distance over the same line or route in the same direction, the shorter being included within the longer distance, or to charge any greater compensation as a through rate than the aggregate of the intermediate rates; provided, however, that upon application to the Railroad Commission provided for in this constitution such company may, in special cases, after investigation, be authorized by such commission to charge less for longer than for shorter distances for the transportation of persons or property and the Railroad Commission may from time to time prescribe the extent to which such company may be relieved from the prohibition to charge less for the longer than for the shorter haul * * *.'

"The long and short haul provision herein contained is, it will be noted, incorporated in the section generally preventing discrimination. The legislature submitting the amendment and the people adopting it, no doubt consider a lesser charge to a more distant point than to an intermediate point to be a discrimination against the intermediate point. Not all discriminations, however, are undue or unlawful. There may be cases where the apparent discrimination is merely a difference which is legitimately brought about by circumstances operative in one case that do not exist in another. Discrimination is a question of fact, and whether it be undue and illegal is also a question of fact and the constitution and the Public Utilities Act (sec. 24 (a)) have imposed upon this Commission the duty of determining these questions of fact. Acting within its authority, the ruling of this Commission in this regard is conclusive (Public Utilities Act, sec. 67). Of course, it is not here intimated that under this power the Commission has authority to invade any rights which are conferred upon the carrier either by the constitution of this state or the United States or to deprive it of its property without just compensation or due process of law.

"While, therefore, the state is not compelled under any provision of the constitution to accord to carriers the right to meet competition, yet it may do so as a matter of policy in proper cases, and that the people of this state have desired, as a matter of policy, to permit such procedure on the part of the carriers is evidenced by the language of section 21 of Article XII of our constitution, heretofore referred to, but they have left to this Commission the determination of the questions as to what are proper cases, and it is my view that in all cases where an advantage will accrue to the carrier and no substantial disadvantage to the public, that the carriers should be accorded the right, as a matter of policy, to meet competition over which they have no control."

All of the original applications were carefully investigated, numerous hearings were held and independent investigations conducted by the Commission and by employees of its rate department.

In addition to the applications covered by Case No. 214, the carriers had, prior to June 19, 1916, filed other applications covering specific cases not included in the application filed after October 10, 1911, and in response to these applications the Commission had authorized certain specific deviations from the long and short haul provisions of the Public Utilities Act and the constitution. The authorizations in special cases were in some instances issued prior to June 19, 1916, and some subsequent thereto. The rate situations authorized in decisions in Case No. 214 of June 19, 1916, were continued in effect and existed up to the twenty-eighth day of December, 1917, at which time the railroad properties in the state of California were taken into the

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possession and control of the government of the United States and thereafter operated by the government of the United States continuously up to March 1, 1920, during which time this Commission had no control over the rates charged by these applicants.

The rates in effect on December 28, 1917, were continued by the government of the United States with but few changes up to June 25, 1918. Acting under the powers granted by the act of Congress entitled "An Act to Provide for the Operation of Transportation Systems, etc.," approved March 21, 1918, 40 Stats. et al., page 451, the President of the United States made an order, effective June 25, 1918, known as General Order No. 28, wherein and whereby the freight rates were increased 25 per cent with certain exceptions, which rates were thereafter charged by the government of the United States for services rendered over the lines of these applicants. The situation created by General Order No. 28 continued with but few exceptions up to the termination of federal control of the railroads on March 1, 1920.

By the act of Congress, known as the Transportation Act of 1920, approved February 28, 1920, it was provided under section 208 that all rates, fares and charges in effect on February 29, 1920, should continue in force and effect until changed by state or federal authority, but that prior to September 1, 1920, no such rate, fare or charge should be reduced unless such reduction or charge were approved by the Interstate Commerce Commission, and thus the situation with respect to practically all of the long and short haul rates continued unchanged after March 1, 1920.

On the twenty-first day of May, 1920, these carriers filed applications for increase in rates concurrent with and equal to the increases applied for in an application presented to the Interstate Commerce Commission. On July 29, 1920, the Interstate Commerce Commission, by its order in Ex parte 74, 58 I. C. C. 220, authorized the carriers in the Mountain-Pacific group to increase freight rates by approximately 25 per cent. Thereafter on the seventeenth day of August, 1920, this Commission, in its Decision No. 7983, passed upon the applications of these carriers and allowed applicants to increase their existing freight rates between points within California by 25 per cent.

The order in Decision No. 7983 carried a provision reading:

"*Long and Short Haul Violations.*—Carriers affected by this order are hereby authorized to publish rates, fares and charges in accordance with this order which may be in violation of section 21 of the state constitution and section 24 of the Public Utilities Act."

In these proceedings, applicants presented the testimony of witnesses and furnished many exhibits giving details not covered by the hearings held in Application No. 5728, Decision No. 7983. The Commission

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by the hearings held in these proceedings August 27 and 28, 1920, again carefully investigated the questions involved in these applications; has had before it and reviewed the records in the aforementioned cases, which were decided in June, 1916; has considered the new and additional testimony and finds and concludes that the facts set forth in the applications are true and that the applications should be granted, and the carriers are hereby permitted and authorized to charge a greater compensation for the transportation of freight for a shorter than for a longer distance over the same line or route in the same direction, the shorter being included within the longer distance, and the extent to which the applicants may be relieved from the prohibition to charge less for the longer than for the shorter haul should be the extent shown in and by the rates named in the tariffs described in the following order, as such rates have been increased pursuant to Decision No. 7983 in Application No. 5728.

Applicants are hereby authorized to charge less for any longer than any shorter haul as shown in said applications.

ORDER.

Applicants in these proceedings having applied to this Commission for an order granting relief from the provisions of section 21 of Article XII of the constitution of California and section 24 (a) of the Public Utilities Act for authority to continue freight rates greater in the aggregate for a shorter than for a longer distance over the same line or route in the same direction, the shorter being included within the longer distance, as set forth in the exhibits and tariffs referred to in the opinion which precedes this order, and a hearing having been held and the Commission being fully apprised in the premises, and basing its conclusions on the findings of fact set forth in said opinion;

It is hereby ordered, that the applicants herein be and they are hereby authorized to continue freight rates as set forth in the applications and exhibits referred to in said opinion, and maintain higher rates at the intermediate points. The rates referred to are published in the following tariffs:

Southern Pacific Tariff Number	(Application No. 6049) C.R.C. No.	Description
G. F. D. Cir. 198-1	2461	Application rates, Richmond, Cal.
121-D	2409	Dried fruit
330-C	2413	Gravel, sand, etc.
332-B	2414	Lime and plaster
333-F	2395	Petroleum and petroleum products
421-D	2420	Pits, apricots, etc.
464-A	2421	Explosives
584-B	2382	Cement
602-B	2425	Hay and straw
634	600	Lumber
635-B	2428	Ore
659-B	2431	Flour, etc.

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Southern Pacific Tariff Number	(Application No. 6049) C. R. C. No.	Description
667-B	2432	Dried beans and peas
707-E	2390	Class and commodity
711-A	2434	Class
726-A	2435	Fertilizer
730-A	2436	Commodity
763-E	2386	Class and commodity
793-A	2441	Grain, etc.
817-A	2443	Fresh fruit
825-A	2444	Clay and clay products
930-A	2451	Sacramento River tariff

Northwestern Pacific Tariff Number	(Application No. 6057) C.R.C. No.	Description
31-C	221	Lumber
8-B	223	Cereal and cereal products
10-B	226	Hay and straw
12-B	230	Lumber
38-B	234	Commodities
25-C	235	Classes and commodities

Pacific Freight Tariff Bureau Tariff Number	(Application No. 6058) Agent Gomph's C.R.C. No.	Description
16-D	211	Class and commodity
30-D	210	Class and commodity
31-D	212	Class and commodity
34-G	214	Class and commodity
42-D	208	Class and commodity
48-E	215	Lumber and other forest products
88-D	195	Cement

Pacific Freight Tariff Bureau Tariff Number	(Application No. 6061) Agent Gomph's C.R.C. No.	Description
16-D	211	Class and commodity
153-C	202	Various commodities
117-C	201	Forest products

Atchison, Topeka and Santa Fe Railway Company	(Application No. 6063) C.R.C. No.	Description
9885-C	428	Classes
11569-C	406	Classes and commodities
9821-C	420	Commodities
11988-B	421	Commodities
12375-A	423	Commodities
9373-E	417	Commodities
9788-G	425	Commodities
5958-F	415	Commod'ties
9777-F	418	Commodities
9798-G	419	Commodities
11992-B	422	Commodities
5907-D	414	Commodities

Pacific Freight Tariff Bureau Tariff Number	(Application No. 6064) C.R.C. No.	Description
16-D	211	Classes and commodities
30-D	210	Classes and commodities
31-D	212	Classes and commodities
34-G	214	Classes and commodities
38-D	209	Classes and commodities
42-D	208	Classes and commodities
48-E	215	Commodities
88-E	195	Commodities
117-C	201	Commodities

Pacific Freight Tariff Bureau Tariff Number	(Application No. 6076) C.R.C. No.	Description
31-D	212	Class and commodity

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Provided, that this authorization shall not be construed to pass upon the reasonableness of the intermediate rates or any other matter except the application of the rates in violation of the long and short haul clause of the state constitution, and the Public Utilities Act.

It is further ordered, that this authority will extend the rates from and to points more distant than the terminals between which violations occur when combinations are made over the low rates at the terminals.

All the rates herein authorized are subject to complaints, investigation and correction.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this thirteenth day of September, 1920.

DECISION No. 8075.

IN THE MATTER OF THE APPLICATION OF PACIFIC GAS AND ELECTRIC COMPANY FOR AN ORDER GRANTING A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY FOR THE EXERCISE OF CERTAIN FRANCHISE RIGHTS AND THE CONSTRUCTION OF A HIGH PRESSURE TRANSMISSION MAIN IN THE COUNTY OF YOLO.

Application No. 5999.

Decided September 13, 1920.

Chas. P. Cutten, for Applicant.

DEVLIN, *Commissioner*.

OPINION.

In this proceeding Pacific Gas and Electric Company seeks an order of the Railroad Commission granting to it certain certificates of public convenience and necessity for the exercise of franchise rights acquired from the county of Yolo and to be acquired from the city of Davis and for the construction of a high pressure gas transmission main in the county of Yolo, State of California.

A hearing was held in San Francisco on August 26, 1920, and the matter thereupon submitted.

Pacific Gas and Electric Company owns and operates a gas manufacturing plant and distribution system in the city of Woodland, Yolo County, and has supplied this community for many years. Its gas manufacturing plant in Woodland has become inadequate to supply the increased demands of that community for gas and, by reason of its location on the principal street in the city of Woodland, has become objectionable to that community. In order to provide sufficient gas for the increasing demands of the city of Woodland and to remove the

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objectionable features of the existing gas manufacturing plant. Pacific Gas and Electric Company is now constructing a high pressure gas transmission line from its plant in the city of Sacramento through certain portions of Yolo County set forth in the application, through which gas manufactured at its Sacramento plant will be delivered into the distributing system of the city of Woodland and permit the removal of the present gas plant. It is further proposed to supply gas to several communities in Yolo County along the route of the transmission line, especially the unincorporated town of Broderick and the incorporated city of Davis. The Railroad Commission has, through its engineers, already investigated the necessity for the removal of the Woodland gas plant and the construction of the transmission line herein referred to. The construction of this line is now under way and it is expected that gas will be delivered through it before the end of the current year.

Pacific Gas and Electric Company has heretofore obtained from the board of supervisors of the county of Yolo a grant of franchise designated as Ordinance No. 103, dated July 12, 1920, wherein and whereby Pacific Gas and Electric Company, its successors and assigns, was granted for a term of fifty years the right, privilege and franchise of laying, maintaining and using, for the purpose of conveying, distributing and supplying gas to the public and particularly to the inhabitants of Yolo County, gas pipes and mains in certain public highways of the county of Yolo. A copy of Ordinance No. 103 of the county of Yolo has been duly filed with the Commission.

It further appears that Pacific Gas and Electric Company has made written application, accompanied by the proper form of ordinance, to the board of trustees of the city of Davis for a grant of franchise to lay, maintain and use for the purpose of distributing and supplying gas to the public and particularly to the inhabitants of the city of Davis, gas pipes and mains in the highways, streets and alleys in the city of Davis. It further appears that the said board of trustees of the city of Davis, on June 21, 1920, adopted a resolution declaring its intention to grant this franchise, and provided for the sale thereof to the highest bidder. The Pacific Gas and Electric Company intends to bid in good faith for this franchise, and, upon being granted same, will by supplemental petition ask the Railroad Commission for an order declaring that its exercise is required by public convenience and necessity.

Upon the completion of this high pressure gas transmission line gas will be supplied by applicant from its manufacturing plant located in the city of Sacramento to the city of Woodland and, upon the construction of the distributing systems in the unincorporated town of

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Broderick and in the city of Davis, gas will be supplied to the inhabitants thereof.

Petitioner will hereafter file with the Railroad Commission a certified copy of such franchise as the city of Davis may grant to it, and also stipulations that it or its successors or assigns will never claim before the Railroad Commission or before any court or other public body values for the rights and privileges, in excess of the actual costs to it of acquiring said rights and privileges, of the franchise heretofore granted to it by Ordinance No. 103 of the county of Yolo and of the franchise to be hereafter acquired by it from the city of Davis.

I recommend that the petition be granted and submit the following form of order:

ORDER.

Pacific Gas and Electric Company having filed herein a petition for an order declaring that public convenience and necessity require the construction of a gas transmission line in the county of Yolo and the exercise of the franchise heretofore granted to it by Ordinance No 103 of the county of Yolo and the exercise of a franchise to be obtained by it from the city of Davis, a public hearing having been held and this proceeding being now ready for decision:

The Railroad Commission of the State of California hereby declares that public convenience and necessity require and will require the construction by Pacific Gas and Electric Company of a high pressure gas transmission line in the county of Yolo to supply the city of Woodland and other portions of the county of Yolo, and that, upon the filing of the stipulation as set forth in the opinion which precedes this order, the Railroad Commission will declare that public convenience and necessity require and will require the exercise by Pacific Gas and Electric Company the rights and privileges granted to it by Ordinance No. 103 of the county of Yolo, subject to such terms and conditions as the Railroad Commission may prescribe.

The Railroad Commission of the State of California further declares that hereafter, upon the filing of a certified copy of the ordinance of the city of Davis granting to Pacific Gas and Electric Company a franchise, and of a stipulation as set forth in the opinion which precedes this order, the Railroad Commission will declare that public convenience and necessity require and will require the exercise by petitioner of the rights and privileges to be granted to it by such ordinance of the city of Davis, subject to such terms and conditions as the Railroad Commission may prescribe.

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The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this thirteenth day of September, 1920.

DECISION No. 8076.

IN THE MATTER OF THE APPLICATION OF J. A. GRAVES FOR AN ORDER AUTHORIZING AN INCREASE OF RATES CHARGED FOR WATER.

Application No. 5330.

Decided September 13, 1920.

Stuart O'Melveny, of *O'Melveny, Millikin & Tuller*, for Applicant.
T. C. Gould and *G. M. Lorraine*, for city of Alhambra.

BRUNDIGE, *Commissioner*.

OPINION.

This is an application by J. A. Graves, owner of a public utility water system located in South Pasadena, Los Angeles County, California, for authority to increase rates for distribution and sale of water to consumers in South Pasadena, San Marino and Alhambra.

Applicant alleges, in effect, that the present rates do not produce an income sufficient to equal operating costs, replacement fund and interest on investment.

The rates in effect at present on this system were established by this Commission in its Decision No. 3456, dated June 24, 1916, in Application No. 2336, In the matter of the application of J. A. Graves for authority to increase rates (Vol. 10, p. 473, Opinions and Orders of the Railroad Commission of California). These rates are as follows:

1000 cubic feet or less	$1.25 per month
1000 to 5000 cubic feet	.10 per 100 cubic feet per month
Over 5000 cubic feet	.08 per 100 cubic feet per month
Each fire hydrant	1.50 per month

A public hearing was held in the present proceeding at Los Angeles, of which hearing all of applicant's consumers were duly notified and given an opportunity to appear and be heard. At the hearing Mr. D. H. Harroun, one of the Commission's hydraulic engineers, presented a report covering a field investigation, appraisal of properties and maintenance study. The appraisal submitted by the Commission's engineer shows the estimated original cost of the system to be $71,546, and gives $849 as the replacement annuity, computed on the sinking fund basis. These estimates were not questioned at the hearing or subsequently, and appear reasonable and therefore will be

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adopted for the purpose of this proceeding. The report also recommends the sum of $3,751 as a fair and just estimate of the future annual cost of operating this system.

The following is a summary of the annual charges as set out above:

Interest on $71,546 at 8 per cent	$5,724 00
Replacement annuity	849 00
Maintenance and operation	3,751 00
Total estimated annual charges	$10,324 00

The total income from the operation of this system for the year 1919 was $5,227, and it does not appear that there will be any appreciable increase in the future by reason of increased consumption. It is therefore apparent that this is a case in which the application for authority to increase rates should be granted, and the schedule established in the following order, which is the schedule of rates applicant asks to have established, will return to applicant maintenance and operation expense, replacement fund, and a certain amount for interest on the investment.

ORDER.

J. A. Graves having applied to the Railroad Commission for authority to increase the rates charged for water served to consumers on his water system, a public hearing having been held, and the Commission being fully advised in the premises:

It is hereby found as a fact that the rates and charges of J. A. Graves, in so far as they differ from the rates herein established, are unjust, unreasonable and unremunerative, and that the rates and charges herein established are just and reasonable rates. And basing its order on the foregoing finding of fact and on the further findings of fact contained in the opinion which precedes this order;

It is hereby ordered, that J. A. Graves be and he is hereby authorized to file with the Railroad Commission of the State of California within twenty (20) days of the date of this order, and thereafter charge, the following rates for water:

For 600 cubic feet or less	$1.25 per month
For all water used over 600 cubic feet	.10 per 100 cubic feet
For each fire hydrant	1.50 per month

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this thirteenth day of September, 1920.

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DECISION No. 8077.

IN THE MATTER OF THE APPLICATION OF BELL WATER COMPANY FOR PERMISSION TO INCREASE WATER RATES.

Application No. 5731.

Decided September 13, 1920.

A. B. Shaub and *Alva H. Pearson*, for Applicant.

BRUNDIGE, *Commissioner.*

OPINION.

Bell Water Company, applicant in the above entitled proceeding, is a public utility water company located in the unincorporated territory known as Bell, Los Angeles County, California, and is engaged in the business of selling and distributing water for domestic and irrigation purposes to consumers in that vicinity.

In this proceeding applicant asks for authority to increase its rates for such service, alleging in effect that due to the high cost of labor and materials, the rates now in effect do not return a sufficient revenue to cover maintenance and operating expenses, replacement fund and an adequate return upon the investment.

Rates were established for Bell Water Company by this Commission in its Decision No. 3058, dated February 8, 1916, in Application No. 1983, In the matter of the application of Bell Water Company for an order authorizing an increase in the rates for water furnished in Bell, Los Angeles County (Vol. 9, p. 155, Opinions and Orders of the Railroad Commission of California). The record in said proceeding is hereby referred to for the history of the company and other matters relating to its operation.

It appears that after a trial of several months of the rates established by the Commission in its Decision No. 3058, above referred to, the Bell Water Company voluntarily reduced the rates established, and it now alleges that the present schedule is noncompensatory and again asks that the Commission establish rates.

A public hearing was held in this matter, and all interested parties were given an opportunity to appear and be heard. At the hearing, Mr. F. H. Van Hoesen, one of the Commission's hydraulic engineers, submitted a report containing an appraisal of the properties of Bell Water Company, which report was introduced as evidence and filed as "Commission's Exhibit No. 1." This appraisal shows the estimated original cost of the used and useful property of Bell Water Company to be $40,490. The replacement fund computed by the sinking fund method is $796. This sum, accumulated annually, is designed to provide a proper fund for the replacement of worn-out properties.

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No other estimate of the value of applicant's property was submitted, and therefore the above figures, which appear to be fair, will be used for the purposes of this proceeding.

Due to applicant's inefficient system of keeping its records, much difficulty was experienced in segregating items of expense to the accounts to which they should properly be charged. From the data available, however, and taking into consideration the increased costs of labor and material, it appears that the sum of $6,119 is a reasonable sum to cover the annual maintenance and operation expense of this company.

Applicant herein does not keep its records in accordance with this Commission's prescribed uniform classification of accounts and general orders. It is recommended that this company immediately install a bookkeeping system in accordance with the Commission's requirements and thereafter keep its accounts and records in the prescribed manner.

After a careful study of all data submitted, regarding the operation expense and other elements going to make up the sum which should be annually produced by rates, it appears that the following are reasonable charges:

Interest on $40,490 at 8 per cent	$3,239 00
Replacement annuity	796 00
Maintenance and operation expense	6,119 00
Total	$10,154 00

The total operating income from this system for the year July 1, 1919, to June 30, 1920, was $6,968.38. However, a study of the water use during this same period shows that there has been a large increase in domestic consumers in the past year, and it is reasonable to assume that this condition will continue to prevail and will be reflected in an increased revenue. However, it is apparent that the present rate schedule does not yield an adequate revenue and that relief should be granted. The schedule established in the following order is designed to return an income approximately equal to the annual charges above set out.

ORDER.

Bell Water Company having applied for authority to increase its rates for water, a public hearing having been held, and the Commission being fully apprised in the premises:

It is hereby found as a fact that the rates and charges of Bell Water Company, in so far as they differ from the rates herein established, are unjust, unreasonable and unremunerative and that the rates and charges herein established are just and reasonable rates.

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And basing its order on the foregoing finding of fact and on further statements of fact contained in the opinion which precedes this order;

It is hereby ordered, that Bell Water Company be and it is hereby authorized to file with this Commission within twenty (20) days of the date of this order, and thereafter charge the following schedule of rates:

Domestic meter rate.

For 500 cubic feet or less, per month	$1 00
From 500 cubic feet to 2000 cubic feet, per 100 cubic feet	15
All in excess of 2000 cubic feet, per 100 cubic feet	10

Irrigation meter rate.

2500 cubic feet or less per month	1 50
All in excess of 2500 cubic feet, per 100 cubic feet	06

Irrigation full flow of Pump No. 2.

Capacity approximately 100 miner's inches.

1 hour or less	2 00
All in excess of 1 hour, per hour	2 00

It is hereby further ordered, that within twenty (20) days of the date of this order, applicant shall file with this Commission, subject to its acceptance and approval, a complete set of rules and regulations governing the service of water on its systems, and thereafter put into effect said rules and regulations as approved.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this thirteenth day of September, 1920.

DECISION No. 8078.

IN THE MATTER OF THE APPLICATION OF LEWIS A. AND PRUDENCE TURNER, JOINT OWNERS OF A WATER PLANT, FOR AN INCREASE OF RATES.

Application No. 5777.

Decided September 13, 1920.

Lewis A. and *Prudence Turner, in propria persona.*

BRUNDIGE, *Commissioner.*

OPINION.

This is an application of Lewis A. and Prudence Turner, joint owners of a public utility water system located at 256 Cudahy avenue, Bell, Los Angeles County, California, for authority to increase rates. Applicants are engaged in the business of selling and distributing water for domestic and irrigation purposes to consumers in that vicinity, and

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in this proceeding ask for authority to increase rates for such service, alleging in effect that the present rates do not produce an income sufficient to cover the maintenance and operating expense, replacement annuity, and an adequate return on the investment. It is further alleged, in effect, that the present rates were established by the applicants and agreed to by the consumers, with the understanding that they should be raised at such time as the increased cost of electric power and other expenses might justify.

The rates at present in effect are as follows:

Irrigation.

Full flow of the pump (approximately 100 miner's inches)---- $1.00 per hour

There is a contract with a certain consumer for water through a 4-inch service on a low pressure tank at 50 cents per hour.

Domestic.

For 1333 cubic feet or less----------	$1.25 minimum charge
From 1333 cubic feet to 2660 cubic feet--------	.80 per 1333 cubic feet
All in excess of 2660 cubic feet----------	.70 per 1333 cubic feet

It appears that the water system in question was originally installed for applicants' own use, but as a large flow of water was developed, applicants entered into an agreement with their neighbors to furnish them water for certain consideration, apparently not knowing that by so doing they were acting in the capacity of a public utility, and therefore under the jurisdiction of this Commission. The rates for service were changed as conditions seemed to warrant. Now, however, realizing their status as a public utility, they come before the Commission for establishment of their rates, as outlined above.

A field investigation of applicants' system was made by representatives of the Commission's engineering department, and at the hearing herein a report, including an appraisal of applicants' properties, was submitted by Mr. F. H. Van Hoesen, one of the Commission's hydraulic engineers, which was introduced as evidence and marked "Commission's Exhibit No. 1."

The estimate of the original cost of this plant, as submitted by the Commission's engineers, was $14,404. The replacement annuity computed by the sinking fund method is $274. This latter sum, accumulated annually, is designed to provide a proper fund for the replacement of wornout properties. Applicants submitted as their own estimate of the original cost of the system $13,026. However, certain items had been omitted which should properly have been charged, and when added, their estimate will approximately equal that of the Commission's engineers. The figures submitted by the Commission's engineers

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appear to be fair, and therefore will be used for the purposes of this proceeding.

Applicants' accounts have not been kept in such manner that it is possible to obtain the details of the maintenance and operation expense of this company, but from the data available and taking into consideration increased costs of labor and material, our engineers submit that $2,877 is a reasonable sum to cover the annual maintenance and operation expenses of this system. From the evidence it appears that this amount is fair.

The Railroad Commission has prescribed a uniform classification of accounts, and it is recommended that applicants herein immediately install a bookkeeping system in accordance with the Commission's requirements, and thereafter keep their accounts and records in the prescribed manner.

After a careful consideration of the evidence submitted and the elements going to make up the sum which should annually be produced by rates, it appears that the following are reasonable annual charges:

Interest on $14,404 at 8 per cent	$1,152 00
Replacement fund	274 00
Maintenance and operation expense	2,877 00
Total	$4,303 00

The total operating income from this system for the year 1919 was $2,370, and it is therefore obvious that applicants are justified in asking for increased rates and that relief should be granted. The schedule established in the following order is designed to return an income at least equal to the annual charges above set out.

ORDER.

Lewis A. and Prudence Turner having applied to the Railroad Commission for authority to increase the rates for water served, a public hearing having been held and the Commission being fully apprised in the premises:

It is hereby found as a fact that the rates and charges of Lewis A. and Prudence Turner, in so far as they differ from the rates herein established, are unjust and unremunerative, and that the rates and charges herein established are just and reasonable rates;

And basing its order on the foregoing finding of fact and on the further statements of fact contained in the opinion which precedes this order;

It is hereby ordered, that Lewis A. and Prudence Turner be and they are hereby authorized to file with the Railroad Commission, within twenty (20) days from the date of this order, the following schedule

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of rates, the same to supersede all rate schedules of this system heretofore in effect and to be and become effective on and after October 1, 1920:

Domestic meter rates.

400 cubic feet or less, minimum per month	$1.00
400 cubic feet to 2000 cubic feet, per 100 cubic feet	.20
In excess of 2000 cubic feet per 100 cubic feet	.15

Irrigation service.

Full flow of pump (approximately 100 miner's inches), per hour	2.00
Flow from low pressure tank through 4-inch service, per hour	.75

It is hereby further ordered, that Lewis A. and Prudence Turner be and they are hereby directed to file with the Railroad Commission, within ten (10) days from the date of this order, for its approval, rules and regulations governing the distribution of water to their consumers, said rules to be and become effective within five (5) days of their approval by this Commission.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this thirteenth day of September, 1920.

DECISION No. 8079.

IN THE MATTER OF THE APPLICATION OF GILROY TELEPHONE COMPANY, A CORPORATION, FOR PERMISSION TO DECLARE A STOCK DIVIDEND TO COVER UNAPPROPRIATED SURPLUS INVESTED IN PLANT, AND FOR PERMISSION TO SELL STOCK FOR EXTENSIONS, ADDITIONS AND BETTERMENTS.

Application No. 6018.

Decided September 13, 1920.

Albert E. Roseushine, for Applicant.

BRUNDIGE, *Commissioner.*

OPINION.

Gilroy Telephone Company asks permission to issue $9,460 of its common capital stock. It intends to sell $2,580 of the stock at par and issue the remainder to reimburse its treasury on account of earnings invested in plant, and thereafter distribute the stock as a stock dividend.

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Applicant reports assets and liabilities as of June 30, 1920, as follows:

Assets.

Fixed capital	$27,704 84
Cash and deposits	3,205 53
Employees' working funds	1,000 00
Due from subscribers and agents	212 65
Materials and supplies	639 56
Prepaid expenses	87 19
Reserve fund assets—cash and bonds	2,528 82
Total assets	$35,378 59

Liabilities

Capital stock	$8,600 00
Corporate surplus	10,343 95
Appreciated plant and equipment	6,987 81
Reserve for amortization of franchise	27 30
Reserve for accrued depreciation	7,706 37
Audited vouchers and wages unpaid	851 35
Taxes accrued and not due	350 75
Subscribers' advance payments	511 06
Total liabilities	$35,378 59

Applicant estimates that prior to June 30, 1921, it will have to expend $2,580 for additions and betterments. It has ordered equipment to enlarge its central office switchboard to provide additional capacity for 60 lines, the total cost of which equipment, including installation, is estimated at $900. The cost of additions and extensions to June 30, 1921, is estimated at $1,680. To pay for these improvements, applicant asks permission to issue $2,580 of its stock at par.

In Exhibit No. 1, applicant reports that is has invested in plant, since the beginning of its operations, earnings in the amount of $12,117.03. From this amount, it deducts $5,204.85, representing reserves invested in property, leaving $6,912.18 of surplus earnings invested in plant, against which no stock or indebtedness is outstanding. Because of this investment, applicant believes that it should be permitted to issue $6,880 of stock to reimburse its treasury and distribute such stock to its stockholders in the form of a stock dividend.

I herewith submit the following form of order:

ORDER.

Gilroy Telephone Company having applied to the Railroad Commission for permission to issue $9,460 of common stock, a public hearing having been held and the Railroad Commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required for the purposes specified in this order and that the expenditures for such purposes are not in whole or in part reasonably chargeable to operating expenses or to income;

It is hereby ordered, that Gilroy Telephone Company be and it is hereby authorized to issue $9,460 of its common capital stock.

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The authority herein granted is subject to the following conditions:

1. Of the stock herein authorized to be issued, $2,580 shall be sold for not less than par and the proceeds used to pay for the installation of additional central office equipment and the construction of extensions referred to in this application.

2. The remainder of the stock—$6,880—may be issued by applicant to reimburse its treasury because of surplus earnings invested in plant, and after such reimbursement distributed by applicant, as required and permitted by law, to its stockholders as a stock dividend.

3. Gilroy Telephone Company shall keep such record of the issue and disposition of the stock herein authorized as will enable it to file on or before the twenty-fifth day of each month a verified report as required by this Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

4. The authority herein granted will apply only to such stock as may be issued on or before June 30, 1921.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this thirteenth day of September, 1920.

DECISION No. 8080.

IN THE MATTER OF THE APPLICATION OF HAINES CANYON WATER COMPANY FOR AN INCREASE OF ITS WATER RATES.

Application No. 4642.

Decided September 13, 1920.

WATER RATES—IRRIGATION SERVICE.—A schedule of rates which include an initial annual payment based upon the net area of the tract where service is desired is held to be unjust in that it does not take into consideration the ability of the utility to deliver the amount of water required. Revised schedule established which will provide for an initial monthly payment based upon size of meter used together with a charge for water actually delivered, such increase conditioned upon applicant taking immediate steps to improve service and secure additional sources of water supply.

R. T. Quinn, for Applicant.

William Schieder, for consumers.

BY THE COMMISSION.

OPINION.

The application in the above entitled proceeding alleges in effect that applicant's present rates do not provide sufficient revenue to cover the cost of maintaining and operating its water system and provide a return upon the investment.

Applicant therefore asks for permission to increase rates.

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A public hearing was held, at which all interested parties were given an opportunity to appear and be heard.

Applicant supplies water for domestic and irrigation use to about 280 consumers in Tujunga and vicinity, in Los Angeles County.

Applicant alleges that its revenues, annual charges and deficit from operation for the fiscal year ending March 31, 1919, were as follows:

Revenues.	
Sales of water (domestic)	$2,537 27
Sales of water (irrigation)	3,430 23
Initial annual payments	2,410 42
Miscellaneous revenues	40 00
Total	$8,417 92
Annual charges.	
Maintenance and operating expense	$7,683 28
Depreciation (straight line method)	4,265 66
Interest	7,333 37
Total	$19,282 31
Deficit from operation	$10,864 39

The present rates charged by applicant are as follows:

Minimum monthly payments when water is used, for each service connection:	
1 inch diameter or less	$1 00
1½ inch diameter or less	1 50
2 inch diameter or less	2 00
3 inch diameter or less	3 00
For water used.	
From 0 to 500 cubic feet, per 100 cubic feet	$ .20
From 500 to 1000 cubic feet, per 100 cubic feet	.10
All over 1000 cubic feet, taken from domestic pipe line, per 100 cubic feet	.0325
All over 1000 cubic feet, taken from irrigation pipe line, per 100 cubic feet	.0275
Initial annual payment, for each acre of irrigable area in each lot where water service is desired	4.00

The initial annual payment applies to irrigators only and is in addition to the regular irrigation rates.

Applicant herein and its predecessor have been before the Commission in a number of proceedings, to which reference is made for a detailed description of the system, applicant's history and methods of operation. Reference is made more particularly to Decision No. 5065, In the matter of the application of Western Empire Suburban Farms Association for authority to adjust and increase its water rates, Application No. 2912 (Volume 15, page 67 of Opinions and Orders of the Railroad Commission of California), in which proceedings the rates heretofore in effect were established.

Appraisals of the property, estimates of maintenance and operating expense and depreciation allowances were submitted by both the appli-

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cant and the Commission's hydraulic engineers, and from the testimony presented it appears that the annual charges would be as follows:

Interest on $49,500 at 8 per cent	$3,960 00
Replacement fund (sinking fund)	625 00
Maintenance and operating expense	7,500 00
Total	$12,085 00

With revenues of $8,418 for the fiscal year ending March 31, 1919, it is apparent that applicant is entitled to an increase in rates.

Owing to the peculiar conditions under which applicant operates, the form of rate schedule heretofore in effect, which includes an initial annual payment based upon the net area of the tract where service is desired, has been a source of discord between applicant and its consumers, and should be changed. The rate schedule established herein includes an initial monthly charge, dependent upon the size of meter through which service is rendered, and in addition a charge for the water delivered. It appears logical that a charge of this kind should be based upon the ability of the utility to serve, rather than upon the area irrigated. Furthermore, in this instance we are of the opinion that this initial monthly charge should not include payment for water delivered.

Service during the past two years has been inadequate during the summer months, and a great many complaints have been made to the Commission. It has now come to the Commission's attention, however, that the utility has made improvements in its pumping equipment and distribution system, and conditions have undoubtedly been improved.

The rate schedule herein established is designed to do substantial justice both to the utility and the consumer and will yield to applicant a fair income, taking into consideration the present state of development of its properties and the increasing sales of water.

ORDER.

Haines Canyon Water Company having made application in the above entitled matter, a public hearing having been held and the Commission being fully advised in the matter:

It is hereby found as a fact that the rates now charged by Haines Canyon Water Company for water delivered to consumers in Tujunga and vicinity are unjust and unreasonable, and the rates herein established are just and reasonable rates to be charged for such service.

And basing its order upon the foregoing finding of fact and upon the statements of fact contained in the opinion preceding this order;

It is hereby ordered, that Haines Canyon Water Company be and it is hereby authorized and directed to file with the Railroad Commis-

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sion, within twenty (20) days from the date of this order, and thereafter charge the following rates for water:

Rate Schedule.

Initial monthly charge:

⅝ inch meter	$0.50
¾ inch meter	0.75
1 inch and 1½ inch meters	1.00
2 inch meters	1.25
3 inch meters	1.50
4 inch meters	1.75

Rates for water used in addition to above initial charge:

Where service is through a single meter—

From 0 to 500 cubic feet per month	25 cents per 100 cubic feet
From 500 to 1000 cubic feet per month	12 cents per 100 cubic feet
Over 1000 cubic feet per month	6 cents per 100 cubic feet

Where service is through more than one meter, such additional services being for irrigation use, all water used through additional meters, 6 cents per 100 cubic feet.

The initial monthly charge shall apply on each active service connection during the time when water is turned on and the utility stands ready to deliver water through it.

The charges for water used are in every case to be in addition to the initial monthly charge.

Where there are two or more service connections to one consumer, they shall be considered as separate connections and billed accordingly.

It is hereby further ordered, that the above rates are established and shall remain in effect upon the following conditions being complied with by applicant herein, and not otherwise:

1. That adequate service be rendered and a sufficient supply of water shall be delivered to applicant's consumers.

2. That applicant file with this Commission, within thirty (30) days of the date of this order, its plans for additions and betterments to this system to provide an additional water supply and adequate facilities for its delivery to consumers.

3. That applicant file with this Commission, within thirty (30) days of the date of this order, a detailed statement of the consumers served by it prior to January 1, 1920, new consumers taken on subsequent to that date, and its plans for serving additional consumers. This statement shall include a map showing the area served on these various dates, the plans for serving any area additional to that served on January 1, 1920, and the proposed facilities for service.

4. Applicant shall file with this Commission, within sixty (60) days of the date of this order, amended and revised rules and regulations governing service of water to its consumers, and shall put the same in effect, as amended and revised, within ten (10) days after their approval by the Commission.

Dated at San Francisco, California, this thirteenth day of September, 1920.

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DECISION NO. 8081.

IN THE MATTER OF THE APPLICATION OF THE NOVATO UTILITIES COMPANY FOR PERMISSION TO RAISE TELEPHONE RATES.

Application No. 5372.

Decided September 13, 1920.

TELEPHONE RATES—INCREASES—WHEN DISCRIMINATORY.—The Commission refuses to grant the application of a telephone utility to establish a line charge of ten cents on incoming calls, it being held that if such application was granted the rates on messages from outside points would be in excess of the rate on messages in the opposite direction, a discrimination which could not be permitted. Revised schedule of rates established to become effective within thirty days.

J. W. Cain, and *C. H. Towle*, for Applicant.

BY THE COMMISSION.

OPINION.

Novato Utilities Company, hereinafter referred to as the company, in Application No. 5372 asks authority to put into effect certain increases in rates for telephone service.

A public hearing upon the application was held by Examiner Satterwhite at San Francisco, June 8, 1920.

The company asks for the establishment of a private line charge of ten (10) cents on each incoming toll message to stations one-half mile or more from the central office and states in this application that it desires an increase in the rates to yield a reasonable return on the capital invested and to provide for an increase in employees' wages. At the hearing exhibits were filed showing the capital investment, the classification of the subscribers and the present and proposed rate for each, the past revenue and expenses and a reproduction cost new of the telephone property.

The present rates and those proposed by the company are as follows:

	Present Rate	Proposed Rate
Wall Telephones:		
Individual business	$3 00	$4 25
Individual residence	2 50	3 25
Party-line business	2 50	3 50
Party-line residence	1 50	2 25

The above rates apply within the exchange radius of one-half mile. For each additional one-half mile or fraction thereof the present rate provides for twenty-five (25) cents mileage charge on individual business or residence telephones. The proposed rates provide for a charge of fifty (50) cents for each additional one-half mile or fraction thereof, on individual business telephones and on individual residence telephones, and also provides for a twenty-five (25) cent charge for each additional one-half mile or fraction thereof, on party-line, business or residence telephones.

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Miscellaneous charges:	Present Rate	Proposed Rate
Portable telephones, additional	$0 00	$ 25
Extra bell	25	25
Extensions, inside	1 00	1 00
Extensions, outside	1 00	1 50

An engineer of the Commission has made examination of the company's books and vouchers and found that the total expenses including taxes and rent for the year 1919 amounted to $2,292.19. Depreciation charged during 1919 was $310.94, making a total of $2,603.13.

The revenue for the past year was found to be $2,013.22. This shows a loss in a twelve-month period of $589.91.

We believe that mileage charges should be made beyond the primary rate area of one-half mile radius for all one, two and four-party services and this has been provided for in the following order. The ten-party lines, however, should have one rate in common for all subscribers to this class of service. We have provided a rate for ten-party service within the exchange limits and another rate for suburban ten-party service beyond those limits.

The applicant's request for another line charge of ten (10) cents on incoming calls can not be granted. The result of permitting the applicant to apply the proposed ten (10) cent charge on incoming calls would be to make the charge for long distance messages from outside points ten (10) cents higher than for messages going in the opposite direction between the same stations, a discrimination which can not be permitted.

In determining the amount of expenses to be provided for in the future out of rates, the Commission will always recognize reasonable salaries paid to employees but can not act upon the assumption that increases in wages may be made in the future. The total expenses estimated for the coming year, exclusive of salary increases, is the sum of $2,390. Depreciation at the rate of 4¼ per cent, on the total capital as shown in the company's Exhibit "A," namely, $4,961.62, gives the sum of $211. This makes a total of $2,601. The revenue sufficient to meet these expenses and provide a fair return on investment is estimated to be the sum of $2,988. This will give a net income of $387, which is 7.8 per cent on $4,961.62. The rates hereinafter provided are deemed just and reasonable rates for the service rendered and for an exchange of this size; however, this company must depend upon getting an increase in the volume of its business of approximately 10 per cent in order to earn sufficient to provide a return of 8 per cent.

According to the company's annual reports there were seventy-two (72) telephones in use on December 31, 1918; eighty (80) telephones on December 31, 1919, and the company's Exhibit "B" shows a total of eighty-nine (89) instruments on June 1, 1920. The total exchange revenue in 1919 shows no increase over that for 1918.

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ORDER.

Novato Utilities Company having filed with the Commission its application for an increase in rates, a public hearing having been held, the matter having been submitted and being now ready for decision:

The Railroad Commission hereby finds that applicant's rates now in effect are unreasonable and noncompensatory and that the rates set forth in the order herein are just and reasonable rates.

Basing its action on the above finding of fact and upon the statements of fact contained in the opinion preceding this order;

It is hereby ordered, that the applicant is authorized to establish and file with the Commission within thirty (30) days from the date of this order the following schedule of rates::

Per month:	Business	Residence
Main line, wall	$3 00	$2 50
Two-party, wall	2 50	2 25
Four-party, wall	2 25	2 00
Ten-party, wall	----	1 25
Suburban, wall	----	2 25
Extensions	1 00	1 00
Extra bells	25	25

Desk sets twenty-five (25) cents additional per month for all classes of service except extensions.

The above main-line, two-party, four-party and ten-party line rates shall apply only within a radius of one-half mile in any direction by an air line from the central office switchboard.

For either business or residence service located beyond the one-half mile radius herein provided mileage charges as indicated for the class of service selected may apply in addition to the above rates for each air line one-quarter mile, or fraction thereof, per month as follows:

Individual line	50 cents per month per quarter mile or fraction
Two-party line	35 cents per month per quarter mile or fraction
Four-party line	25 cents per month per quarter mile or fraction

Applicant is authorized to put these rates into effect subject to the following conditions:

(a) Adequate and efficient telephone service must be rendered at all times for all classes of service.

(b) A depreciation reserve shall be set aside annually for the purpose of maintaining the plant in good condition and shall be used only for such purpose, or for such as may be authorized by the Commission. The amount thus set aside annually shall be determined by taking 4¼ per cent of the sum of four thousand nine hundred sixty-one dollars sixty-two cents ($4,961.62) (this being the total capital invested as shown in the company's Exhibit "A"), plus additions to and betterments in physical plant made since June 1, 1920.

Dated at San Francisco, California, this thirteenth day of September, 1920.

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DECISION NO. 8082.

FORTUNA BOARD OF TRADE

vs.

WESTERN UNION TELEGRAPH COMPANY.

Case No. 1444.

Decided September 13, 1920.

TELEGRAPH SERVICE—INDIVIDUAL OFFICES—MAINTENANCE OF.—While it can not be reasonably urged that each unit of a system the size of defendant's should be self-supporting, provided the system as a whole is earning a profit, the Commission holds that public convenience does not require the maintenance of an independent office at Fortuna at an expense greater than the present receipts justify, provided, that service through the joint office and railroad station, as at present given, is rendered adequate and with absolute privacy.

R. R. Smith, for Complainant.

A. H. May and *E. B. Harrington*, for Defendant.

BY THE COMMISSION.

OPINION.

Complainant herein is an organization composed of the principal business firms and others of the city of Fortuna, Humboldt County.

Defendant is a public utility doing a general commercial telegraph business throughout California and elsewhere.

The complaint alleges that prior to February 15, 1919, or thereabouts, defendant maintained an independent telegraph office in Fortuna for the purpose of providing telegraph service to the citizens of Fortuna and the public generally, and did at all times until said date furnish excellent service; that on or about said date it closed its aforesaid independent office and established a joint office in the depot of the Northwestern Pacific Railroad and since the establishment of said joint office the service rendered by defendant has been and now is inadequate and unsatisfactory.

In support of the allegation as to the present inadequate and unsatisfactory service maintained through the joint office arrangement, the complaint sets forth that a qualified Morse operator is not maintained and that all telegraphic messages to and from Fortuna are relayed by telephone through defendant's Scotia office; that at Scotia, as well as at Fortuna, defendant maintains a joint office; and business of the railroad takes precedence over other telegraph business to the disadvantage of defendant's service; that in relaying telegraph messages by telephone there is not the privacy essential to satisfactory telegraph service; that frequent delays and errors in transmission arise and in many instances service completely fails.

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Complainant asks that the Railroad Commission issue its order requiring defendant to re-establish and maintain an independent office and to furnish and maintain efficient, adequate and satisfactory service.

Defendant in its answer enters a general denial as to its present service being inadequate, inefficient and lacking in essential privacy, and sets up that by reason of unfavorable telegraph business conditions at Fortuna it was obliged to move its office to the depot of the railroad company and operate it as a joint office.

In the operation of its independent offices, it is the practice in most cases to employ Morse operators in forwarding and receiving telegrams. This method of operation was in effect at Fortuna prior to the establishment of the joint office in February, 1919. In some cases it is the practice to transmit and receive telegrams by telephone to and from a relaying office which may be operated either by Morse operator or by telephone. Since the establishment of the joint office at Fortuna, telegrams are relayed through another joint office at Scotia, at which office the telephone is used in handling defendant's business. In this method of operation, requiring repeated handling of telegrams, there is greater liability of errors and delays in transmission than is the case where there is Morse operation and less handling of telegrams, as was the former practice at Fortuna. In cases requiring privacy it is, of course, apparent that the public can not make use of a telegraph service which is transacted by telephone unless the telephone over which telegrams are transmitted is so located that telegrams can not be overheard at any point while in transmission.

This complaint was heard on June 25, 1920, at Fortuna before Examiner Satterwhite.

The discontinuance of defendant's independent office and the opening of the present joint office occurred during the period of federal control, at which time defendant was not subject to the control of the Railroad Commission.

Various witnesses for complainant testified that errors, supposedly due to transmission of telegrams by telephone, and delays alleged to be due to the precedence given to business of the railroad, are not infrequent since the establishment of the joint office. It is also claimed that when telegrams are forwarded or received over the telephone, as it is now used for this purpose, their contents become known by persons who happen to be in the office.

Defendant denies that errors in transmission occur more frequently than would be the case with an independent Morse operated office. Its records show also that there is less delay in handling its business through the present joint office than formerly occurred when it maintained its independent Morse operated office. As to complainant's claim that railroad business is given precedence over other business,

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it was shown by defendant that definite periods are assigned for handling each class of business and, except in dispatching of trains, there is no preference given to handling railroad business. As to the matter of privacy in handling telegrams for patrons of defendant, it is claimed that the telephone which is used in transmitting and receiving telegrams is located in the railroad company's private office where an employee using the telephone can not be overheard from the public office when the door and window separating the two offices are closed. From an observation made by the Commission's telephone and telegraph engineer, we are satisfied that this is a fact, and defendant has agreed to arrange with the officials of the railroad to exclude the public from the private office and to see to it that this door and window remain closed whenever telegrams are being received or forwarded for the public.

It appears also that the expense of employing a competent Morse operator and maintaining an independent telegraph office would be considerably in excess of defendant's present average receipts at Fortuna. In a system as extensive as that of defendant, it can not be reasonably urged that each and every unit going to make up the entire system should, in itself, be self-sustaining when the service rendered thereby is a matter of public convenience and necessity and when the operation of the system as a whole is profitable. In this case, however, it does not appear that the public convenience and necessity require the maintenance of an independent office at an expense which appears to be greater that the present receipts justify.

ORDER.

Complaint having been filed with the Railroad Commission by Fortuna Board of Trade, complainant *vs.* Western Union Telegraph Company, defendant, alleging that the present telegraph service rendered by defendant at Fortuna is inefficient, inadequate and unsatisfactory, and asking that the Commission issue its order requiring defendant to re-establish and maintain an independent office and to furnish and maintain efficient, adequate and satisfactory telegraphic service at said Fortuna, a public hearing having been held, the matter having been submitted and being now ready for decision;

It is hereby ordered, that the complaint herein be and it is hereby dismissed, provided that defendant, Western Union Telegraph Company, shall at all times provide such means as may be necessary to insure absolute privacy in the matter of handling its commercial telegraph business at Fortuna.

Dated at San Francisco, California, this thirteenth day of September, 1920.

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DECISION NO. 8083.

IN THE MATTER OF THE APPLICATION OF SOUTHERN CALIFORNIA EDISON COMPANY, A CORPORATION, FOR AN ORDER OF THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA, AUTHORIZING IT TO ISSUE, SELL AND DELIVER FIFTY THOUSAND SHARES OF ITS COMMON STOCK OF THE PAR VALUE OF ONE HUNDRED DOLLARS EACH.

Application No. 5312.

Decided September 13, 1920.

BY THE COMMISSION.

THIRD SUPPLEMENTAL ORDER.

Southern California Edison Company having reported, in its third supplemental petition in the above entitled matter, that it has on deposit in a special fund the sum of $130,000 obtained from the sale of stock authorized to be issued by orders in Application Nos. 2743, 4790 and 5312, and that it has expended to April 30, 1920, for new construction and for the acquisition of properties the sum of $1,016,885.68, against which no stock or bonds have been issued; and applicant having asked permission to use the $130,000 to pay in part for new construction and properties acquired prior to April 30, 1920, and the Railroad Commission being of the opinion that applicant's request should be granted; now, therefore,

It is hereby ordered, that Southern California Edison Company be and it is hereby authorized to use the $130,000 obtained from the sale of stock authorized to be issued by orders in Applications Nos. 2743, 4790 and 5312, to reimburse its treasury or to pay indebtedness to finance in part expenditures on capital account incurred prior to April 30, 1920, and reported in the third supplemental petition in the above entitled matter.

It is hereby further ordered, that the orders heretofore made in Applications Nos. 2743, 4790 and 5312, as amended, shall remain in full force and effect, except as modified by this third supplemental order.

Dated at San Francisco, California, this thirteenth day of September, 1920.

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DECISION NO. 8084.

IN THE MATTER OF THE APPLICATION OF SAN JOAQUIN LIGHT AND POWER CORPORATION FOR A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY AUTHORIZING IT TO OPERATE AUTO TRUCKS AND AUTO STAGES FOR THE TRANSPORTATION OF PERSONS OR PROPERTY ON CERTAIN PUBLIC HIGHWAYS IN THE STATE.

Application No. 5226.

Decided September 13, 1920.

CERTIFICATES—AUTO STAGES—PRIVATE ROADS.—The Railroad Commission has no jurisdiction to grant or deny a certificate to operate an auto stage line as a common carrier in so far as it is proposed to operate such line over privately owned roads. Applicant having failed to show that present service is inadequate or that there is a public necessity for additional service, application denied as regards operation over public highways between Fresno and Maxsons.

Murray Bourne, for Applicant.

E. A. Williams, for Kings River Transportation Company, protestant.

BY THE COMMISSION.

ORDER.

The San Joaquin Light and Power Corporation has petitioned the Railroad Commission for an order authorizing it to operate automobiles, auto trucks, and auto stages for the transportation of only its employees or those having business with applicant and the property to be transported of such persons for compensation between Fresno and Maxsons and thence along the general course of the North Fork of Kings River to the proposed camps and locations of said applicant and intermediate points.

A public hearing on this application was conducted before Examiner Satterwhite at Fresno on May 14, 1920, the matter was duly submitted and is now ready for decision.

Applicant proposes to charge rates in accordance with a schedule marked Exhibit "A." filed with said application, and to operate on a time schedule marked Exhibit "B." attached to said application, and using whatever equipment may be necessary.

The Kings River Transportation Company protested the granting of this application. R. C. Starr, a construction engineer, in charge of construction for the applicant, testified in support of the application.

The applicant is now engaged in the construction of the Kings River project, which will consist, when completed, of six hydroelectric generating plants on the North Fork of the Kings River. The definite location of these plants has not yet been determined. The applicant now is engaged only in its road construction and is transporting only such men and material as are necessary for this work.

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It was shown that it will require at least ten years or more to complete this project.

The necessary employees of applicant will be procured chiefly from the city of Fresno and thence conveyed to the various proposed construction camps located along the private roads of applicant beyond Maxsons or Trimmer. The jurisdiction of this Commission to grant or deny this application ends at Maxsons, where the public highway terminates. Applicant is now employing about thirty men and is conveying to its construction camp near Maxsons not more than ten men a day and will not carry many over that number for some time.

The roads which the applicant is now constructing beyond Maxsons are its own private roads and applicant indicated emphatically at the hearing that these roads would remain private and that no one would be granted a permit to use them. The Commission may only give consideration to that portion of the proposed line and service within its jurisdiction between Fresno and Maxsons or Trimmer over which the applicant desires a certificate to operate its automobiles and trucks for compensation.

The Kings River Transportation Company, protestant, is operating under a certificate granted by this Commission under Decision No. 6609, between Fresno and San Joaquin Light and Power Corporation's Camp No. 2, which camp is at Maxsons. The protestant showed that ever since August 29, 1919, he had been maintaining a good, sufficient and satisfactory service over the route between Fresno and Maxsons and at all times had been fully equipped and is now fully equipped to carry all the traffic over this established route. Protestant further showed that in the future he will be ready at all times to adequately handle all traffic that is offered by reason of the fact that the Kings River project will necessitate the transportation of an indefinite number of passengers and considerable freight.

The protestant also showed without contradiction that if this application is granted its business would be absolutely destroyed and that it would be compelled to discontinue its service. This Commission has frequently held that an affirmative showing must be made as to the public convenience and necessity for additional transportation facilities before a competing carrier will be authorized to operate over a route already adequately served. The applicant in this proceeding did not offer any evidence whatever to show that the transportation facilities of the protestant are inadequate or unsatisfactory. The chief reasons advanced by the applicant for the granting of this application were that they could transport their passengers and property more swiftly and economically on account of the control of their private roads over which they would not permit the protesting carrier to travel.

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After a careful consideration of the evidence, we are of the opinion that the application should be denied.

The Railroad Commission hereby declares that public convenience and necessity do not require the operation by San Joaquin Light and Power Corporation of automobiles, auto trucks and auto stages for the transportation of only its employees and those having business with applicant and the property to be transported of such persons for compensation between Fresno and Maxsons.

It is hereby ordered, that the application be and the same hereby is denied.

Dated at San Francisco, California, this thirteenth day of September, 1920.

DECISION NO. 8099.

IN THE MATTER OF THE APPLICATION OF SOUTHERN COUNTIES GAS COMPANY OF CALIFORNIA FOR AUTHORITY TO INCREASE ITS RATES FOR GAS SUPPLIED TO ITS CONSUMERS IN THE COUNTY OF VENTURA AND IN THE CITIES OF VENTURA, OXNARD, SANTA PAULA AND OTHER UNINCORPORATED TOWNS AND COMMUNITIES OF THE COUNTY OF VENTURA.

Application No. 5692.

Decided September 13, 1920.

GAS SERVICE—CONDITION OF—RATE OF RETURN—DEFICITS—AMORTIZATION OF.—A gas utility when rendering inadequate and inefficient service can not expect a full return upon the value of its properties nor will a rate of return be allowed that will permit of the amortization of deficits incurred during a period of poor service. The Ventura properties of applicant having been taken over in an extremely poor condition, no allowance is made for deficit incurred during the first six months of operation, during which time applicant took steps to improve the service, allowance only being made to amortize the deficit incurred during the period of inadequate service.

NONOPERATIVE PROPERTY—AMORTIZATION OF—ALLOWANCE FOR.—In view of the service improvements made by applicant since taking over the present properties, it is held that a return should be allowed which will permit of the amortization over a period of years of the reasonable depreciated cost of the production equipment no longer used or useful, due to the introduction of natural gas, the amount so reserved to be set in a cash reserve for future use in plant development.

NATURAL GAS SERVICE—RATE OF RETURN.—While the service of natural gas is of a hazardous nature due to the uncertainty of supply and the fact that service must be continued should the natural gas supply suddenly cease, it is held that the granting of a higher rate of return would not in itself guarantee the company against a period of transition nor assure the consumers, paying the higher rate, of adequate service with the diminution of the present supply. If under reasonable rates the utility could be granted a return which will enable it to create a reserve for possible future contingencies, such should be done. Rate of return of 8 per cent on historical cost of properties at time of purchase and 9 per cent on additions and betterments allowed, which is considered reasonable in view of the fact that the

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business is still in the development stage and considerable increase in sales can be expected in the immediate future.

Increase in rates of approximately 80 per cent authorized to become effective for meter readings made on and after September 20, 1920.

LeRoy M. Edwards, for Southern Counties Gas Company.

H. F. Orr, for city of Ventura.

Arthur Blanchard, for city of Santa Paula.

Chas. F. Blackstock, for city of Oxnard.

BRUNDIGE, *Commissioner.*

OPINION.

Southern Counties Gas Company, applicant herein, requests authority for an increase in its rates for gas service supplied in its Ventura district. In its petition for such authority applicant alleges that since the taking over of the gas system supplying the cities of Ventura, Santa Paula and Oxnard and intervening territory, it has introduced natural gas in place of the artificial gas formerly served; expended during the first 13 months, ending March 31, 1920, approximately $190,000 in improvements and betterments; has made large replacements and extensions to the system, so that a first-class service is being rendered; that the rates charged per thousand cubic feet are the same as those charged for artificial gas formerly served; that it has expended all reasonable effort to obtain a dependable supply of natural gas and to enlarge the business so that an adequate return on its investment could be obtained from existing rates, but, owing to conditions existing, this has been impossible and it has operated at an actual loss during the entire period since the property was taken over; that the cost of money is in excess of the 8 per cent return generally allowed by the Commission and that due to this fact and the hazard of the business of supplying natural gas it should be allowed a rate of return in excess of that normally allowed in order that it may finance the necessary additions and betterments to its system required to continue a good standard of service. It requests further that it now be allowed to amortize the deficit incurred in the past in addition to a fair return upon its property.

The rates for gas service for domestic purposes now in effect in the Ventura division of Southern Counties Gas Company, and which applicant alleges are unremunerative, are:

First	2,000 cubic feet per meter per month	$1 25 per thousand cubic feet
Next	3,000 cubic feet per meter per month	1 00 per thousand cubic feet
Next	5,000 cubic feet per meter per month	90 per thousand cubic feet
Next	10,000 cubic feet per meter per month	80 per thousand cubic feet
Next	30,000 cubic feet per meter per month	70 per thousand cubic feet
All over	50,000 cubic feet per meter per month	60 per thousand cubic feet

Minimum charge, $1 per meter per month.

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At the hearing in this proceeding applicant submitted a proposed schedule of rates which it asks the Commission to approve. The rates so proposed for domestic service are as follows:

Consumer Charge.

$1.00 per meter per month.

Consumption charge.

First	2,000 cubic feet per meter per month--	$2 00 per thousand cubic feet
Next	3,000 cubic feet per meter per month--	1 80 per thousand cubic feet
Next	5,000 cubic feet per meter per month--	1 65 per thousand cubic feet
Next	10,000 cubic feet per meter per month--	1 50 per thousand cubic feet
All over	20,000 cubic feet per meter per month--	1 40 per thousand cubic feet

Applicant requests no increase in its industrial rates, urging that such gas as it sells under these rates is in competition with fuel oil; that at the present time it has a surplus of gas which it can not dispose of and that a further increase in industrial rates would probably not result in any increase in the net revenue of the company.

The proposed increase in rates requested by applicant would represent, on the average, an increase in the cost of service to the consumers of approximately 100 per cent over that under the present rates but would represent no increase in the cost for the same service over that for artificial gas as it was charged for prior to the purchase of the system, owing to the fact that the natural gas served in Ventura has a heat content in excess of twice that of artificial gas.

Southern Counties Gas Company purchased the gas properties of the Southern California Edison Company serving the towns in Ventura as of March 1, 1919. At the time of the purchase the properties were in a very rundown condition due to failure on the part of the Edison company to maintain the properties or render adequate service, and, in fact, the service of artificial gas then rendered was so poor, due to poor pressure conditions, poor quality of gas and interruptions to service, that steps were being considered by the municipalities toward the installation and ownership of municipal plants. The property was not only in a bad physical condition but the service was in disrepute.

The property had also been operated at a loss during the period prior to the transfer and no apparent attempt had been made by the predecessors toward either rendering adequate service or obtaining such rates as would result in a reasonable return. Upon the taking over of the property by applicant at a price which the Commission could not consider as reasonable, applicant introduced natural gas, which resulted almost immediately in a reduction in the cost of service to the consumers of approximately 50 per cent at a time when practically all other commodities were increasing in price.

Applicant commenced the rehabilitating of the properties and has expended in gross additions and betterments since that date in excess

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of $200,000; has negotiated with local oil companies and obtained a fairly adequate supply of natural gas for domestic purposes; has improved the quality of the service until at the present time a very high grade of gas service is being rendered in the district. This improved service has been made at a large cost to the applicant due to the necessity of replacing a large proportion of the gas mains, the repairing of services and meters and a general overhauling of the entire plant. The record conclusively shows that applicant has exerted every reasonable effort to render good service to its consumers. It is entitled, under the circumstances, to a fair return for its service.

The historical cost of the property of applicant at the time it was taken over on March 1, 1919, was reported in Application No. 4440 as $228,343.80, while the depreciated historical reproduction cost was at that time found to be $147,286. The historical cost new above set forth plus the net additions and betterments to capital results in an average rate base for the period ending March 31, 1920, of $355,757.70. The operating revenues and expenses for the same period are as follows:

Revenue, March 1, 1919, to April 30, 1920	$63,220 00
Total operating expenses	74,282 00
Deficit	$11,062 00

If depreciation and interest charges, based upon the average cost of money to applicant of 6.9 per cent, be computed, the deficit is increased during the period as follows:

Depreciation	$11,707 00
Interest	26,592 00
Total deficit	$49,361 00

Applicant estimates that up to June 30, 1920, it will have failed to earn the average cost of money on the property by the amount of $57,000, and urges at this time that it be allowed to amortize this deficit in rates to be collected from the consumers over a period of five years.

Applicant should, if possible, be allowed to amortize any reasonable deficit which was incurred in the rendering of service. In this particular instance it does not appear reasonable that applicant should be allowed to amortize the deficit incurred during the period immediately following the purchase of the property.

At the time the property was purchased the service, considered in the broader sense, was far below standard; in fact, the company then serving was in disrepute, justly, for the treatment it had given the public. The value of the property at the time of purchase was, therefore, less than the depreciated cost of the property. Applicant purchased the property when it was in a condition which would justify

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no increase in rates until service was improved, and it should have contemplated in the purchase of that property a deficit which would have to be incurred before it could justly claim a reasonable return. In this particular instance it appears that at least a six months' period elapsed after the purchase of the property before the service was adequately improved and the company in a position to be entitled to a reasonable return upon its investment.

Applicant's claim for amortization of deficit should be modified, therefore, by the deduction of all losses occurring during the first six months of operation after the acquisition of the property. These losses must be absorbed by the company where it has paid more for the property than it was reasonably worth. During the remaining period applicant has rendered good service and it would appear that the losses which have been incurred up to the effective date of the rates which are to be fixed herein should be refunded to applicant through the rates to be charged if such can be done and still maintain rates which are reasonable. The exact deficit can not be determined until analysis of the books has been made after the rates herein fixed have been put in effect. However, based upon the company receiving its out-of-pocket cost, including depreciation and the cost of money at 6.9 per cent, a deficit of approximately $35,000 will exist.

An analysis of the capital additions and betterments of applicant together with estimates of additions and betterments to cover an average year ending March 31, 1920, which has been set forth in applicant's exhibit, together with an estimate of depreciation for a 12 months' period, based upon the evidence herein, is as follows:

Southern Counties Gas Company—Ventura District.

Summary of Rate Base, Year Ending March 31, 1921.

	Historical cost new	Depreciation annuity —6 per cent sinking fund basis
Organization and franchise	$2,139 00	
Land	10,940 65	
Production	781 00	$20 00
Transmission	197,437 03	4,720 00
Distribution	171,394 83	8,872 00
General	7,820 43	330 00
Total capital	$390,512 94	
Materials and supplies	23,500 00	
Working cash capital	12,280 00	
Total rate base	$426,292 94	$13,942 00

The above summary of rate base is based upon the original historical cost of the properties less the cost of property rendered nonoperative by the introduction of natural gas plus the net additions and betterments to April 30, 1920, and the estimated average capital additions

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and betterments for the year ending March 31, 1921. The allowance for working cash capital and materials and supplies has been made, based upon a consideration of the evidence in this proceeding. The depreciation annuity is based upon a 6 per cent sinking fund determination, shorter lives being used for equipment than in general found necessary in other districts owing to the special conditions existing on this property.

Applicant urges that it be allowed to amortize in the future the historical cost of certain gas production equipment which has been made nonoperative by the introduction of natural gas. The historical cost of the property which was estimated to become nonoperative was set forth by the Commission's engineers, in Application No. 4440, as $36,278. It has been found, however, that less equipment than was originally anticipated has now been made nonoperative. The historical reproduction cost of this property is $26,246 and the depreciated historical cost less salvage at date of purchase is found to be $11,929. Depreciation since the date of purchase is included in the determination of the deficit, and the amount to be amortized at this time is $10,600.

As a matter of equity, it appears to me that the reasonable depreciated cost of the production equipment should be paid to applicant in the form of rates by a method of amortization of this amount over a period of years in view of the service improvements by applicant. This amount so reserved shall be set in a cash reserve for future use in plant development. Applicant's contention that it should be allowed to amortize the historical cost is, in my opinion, unsound, as this property was purchased in a depreciated condition. If the former owner had not earned sufficient to amortize this, the present company or the consumers of the company are not to be held accountable, especially in view of the conditions existing.

The supply of natural gas obtained by applicant for delivery on its Ventura system has not been as dependable as it was originally expected and the source from which the gas is obtained has been somewhat erratic. Applicant has found it necessary at certain times to supply oil to the oil companies for field operation in order to obtain sufficient natural gas for its consumers, and, at other times, has found it necessary to waste a certain amount of natural gas owing to a lack of sufficient demand. Due to these conditions it has been impossible to accurately estimate the operating expenses of applicant, especially as regards the cost of gas supplied.

Although conditions of gas supply have improved up to the time of the hearing, it is very evident from the testimony in this proceeding that the cost of operation and the net revenue to applicant may be

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materially modified by conditions occurring. The Commission's engineers and the witnesses for applicant both agree that the return is more or less problematical. The use of natural gas is still in the development stage, but the field for use of gas is not as extensive as other territory and applicant must at present depend on sales of gas to domestic and commercial consumers for most of the revenue. If a large supply of gas of a dependable nature is obtained applicant may be able to develop additional industrial business and thus increase its net revenue and ultimately make possible a reduction in the necessary rates. Applicant's estimate of sendout and sales appears acceptable as a basis for estimating the possible rates.

The following may be considered as an approximation of the conditions which will exist both as regards supply of gas and operating costs:

Southern Counties Gas Company—Ventura District.

Estimated operating statistics, 1920-1921.

Mean active meters	2,800
	Thousand cubic feet
Domestic sales	58,800
Industrial sales	38,295
Total sales	97,095
Gas sendout	176,895
Gas purchased	281,050
Operating expenses:	
Natural gas purchased	$28,000 00
Other production expense	590 00
Transmission expense	11,800 00
Distribution expense	13,000 00
Commercial expense	13,150 00
General expense	6,690 00
Depreciation	13,942 00
Uncollectible bills	590 00
Total operating expenses	$87,762 00
State, franchise and general taxes	10,750 00
Total expense	$98,512 00

Applicant urges a 10 per cent return upon the rate base on the ground that natural gas service is a more hazardous business than the general class of public utility service, and also that on the basis of an 8 per cent return applicant will not be able to finance the additions and betterments and improvements to its system.

The transmission and distribution of natural gas is, in general, considered to be more hazardous than other public utility service due to the fact that the supply of gas is not constant or uniform and is limited as to life. In the special case of the Ventura County service, the continuity of supply appears quite problematical and it is not possible to estimate what the future might bring.

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The service of gas by a public utility is not a business which may be discontinued with the discontinuance of gas supply. Applicant has invested large sums of money in a permanent business which must be continued whether the supply of natural gas continues or suddenly ceases. The transition period between natural gas and artificial gas must be gone through without a decrease in the service condition. Applicant's financial stability must be maintained then so that such changes as are necessary may be readily made. Were the natural gas supply to suddenly cease at this time applicant would be required to expend a large sum of money in the installation of gas producing equipment, and, without an adequate return or a cash reserve to take care of this contingency, serious results might occur.

The granting of a higher rate of return in itself will not, in my opinion, solve the problem, as it will not guarantee the company against a period of transition and at the same time will not guarantee to the consumers that in return for the payment of a higher return they will be assured of adequate service with the diminution of the present supply. A greater return, unless used for the protection of service and in that way the guaranteeing of continued return to the company, would appear to be of little value to either the consumers or the permanent benefit of the utility. I believe applicant should be granted sufficient return to enable it to create a reserve for possible future contingencies if, with reasonable rates, this can be done.

Applicant's new money is costing it approximately 7.9 per cent while the average cost has been 6.9 per cent according to the evidence. I believe that if applicant is allowed an 8 per cent return upon the historical cost of the property at the time of the purchase plus 9 per cent return upon additions and betterments, which total represents an average of $8\frac{1}{2}$ per cent, that at this time this return should be considered as a reasonable return in view of the fact that at the present time service is still in the development stage, as shown by the fact that in other districts where applicant has changed from artificial to natural gas there has been a continuous increase in sales per consumer after the first year of change. Further, where applicant is reimbursed for early losses as herein contemplated, it can not in addition expect a return based on assumption of hazard.

The increased business of applicant which will in all probability occur, and which will result in an increase in net revenue in excess of this amount in the future, should, in my opinion, be set aside, first, for the amortization of the deficit heretofore incurred at a rate greater than herein proposed, and also for the creation of a reserve to guarantee the continuance of good service and the company against future contingencies.

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Applicant urges the amortization of accrued deficit and the abandoned property value on a basis of five years, computing the same upon a 6 per cent sinking fund basis. It is advisable that any deficits to be amortized be wiped out as rapidly as possible provided the same can be done without too great a burden upon existing consumers. In this instance it would appear that applicant's rates for gas must be increased at this time approximately 80 per cent and it does not appear advisable to burden the consumers with any such additional amount, especially in view of the fact, as above pointed out, that in all probability there will be further development of gas and possible increase in net earnings. In view of these facts the amounts to be included in the determination of rates for the amortization of such deficit will be $4,760 per annum and for the amortization of abandoned property $1,440.

The summary of the estimated cost of service for the year ending March 31, 1921, is as follows:

Operating expenses, including depreciation and taxes	$98,512 00
Amortization of deficit	4,760 00
Amortization of abandoned property	1,440 00
Return at 8½ per cent on rate base	36,234 00
	$140,946 00
Less revenue from industrial sales and merchandise profit	16,600 00
Net cost of service (domestic and commercial service)	$124,346 00
Estimated sales (domestic-commercial gas)	58,800 thousand cubic feet
Average rate required	$2.12 per 1000 cubic feet

The above represents a cost of service approximately 80 per cent in excess of the average revenue obtained under the present rates. The cost under such a rate will, however, be approximately 90 per cent of the cost of similar service of artificial gas at the rate of $1.25 per thousand cubic feet previously charged owing to the fact that from each cubic foot of natural gas there is over twice as much heat obtainable by the consumer than from a cubic foot of artificial gas. This relation between the cost of artificial gas service and natural gas at the increased rate may not be entirely apparent as, in general, due to the cheaper and better service, consumers have increased their use of natural gas over that formerly made of artificial. This Commission has found that under present prices of oil and labor artificial gas service in communities similar to those in Ventura costs approximately $2 per thousand cubic feet to deliver. This rate is equivalent to from $3.50 to $4 per thousand for the quality of natural gas served in Ventura County.

Applicant has suggested a rate known as a readiness-to-serve charge plus consumption rate, under which each consumer is charged $1 per

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month to cover certain fixed charges and operating expenses incurred by the company due to its being ready to serve its consumers regardless of whether or not gas is consumed. If the rate requested was granted, consumers using 1000 cubic feet per month would have their rates increased from $1.25, as at present, to $3 per thousand, or an increase of approximately 240 per cent.

Although the proposed form of rate may be correct, it does not appear to me that such a form of rate is advisable under the conditions, especially in view of the rates charged by applicant in the past and the rates charged by it in other districts. Applicant is still developing its natural gas business and it also appears advisable in this case not to increase the rates at this time to the full amount herein estimated but so increase them that with the expected growth of business it may be in a position to earn the revenue herein set forth. The rates herein set forth will result in applicant earning an average rate of approximately $2 per thousand cubic feet.

I recommend the following form of order:

ORDER.

Southern Counties Gas Company having applied to the Commission for authority to increase its rates for gas for domestic and commercial service in the towns of Ventura, Oxnard, Santa Paula and Fillmore and intervening territory included in Ventura County, a public hearing having been held and the matter being submitted and now ready for decision:

The Railroad Commission hereby finds as a fact that the existing rates and charges of Southern Counties Gas Company for domestic and commercial gas service in its Ventura district are unjust and unreasonable and inadequate in that they do not adequately compensate applicant for the service rendered, and that the rates for domestic and commercial service hereafter set forth are just and reasonable rates.

Basing its order on the foregoing finding of fact and on the findings of fact contained in the opinion which precedes this order;

It is hereby ordered, that Southern Counties Gas Company be and it is hereby authorized to charge and collect for gas served in the county of Ventura the following rates, to become effective based upon all regular meter readings taken on and after the twentieth day of September, 1920:

SCHEDULE No. 1.

Domestic and Commercial Service.

Class of Service.

Applicable to domestic and commercial service for lighting, cooking and heating, including restaurants, apartment houses, hotels, hospitals, sanatoriums, business buildings of all kinds, schools and churches.

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Territory.

Applicable to the Ventura division, including Ventura, Oxnard, Santa Paula, Fillmore and adjacent territory.

Rate.

First	3,000 cubic feet per meter per month--	$2 00 per thousand cubic feet
Next	7,000 cubic feet per meter per month--	1 80 per thousand cubic feet
Next	10,000 cubic feet per meter per month--	1 60 per thousand cubic feet
All over	20,000 cubic feet per meter per month--	1 40 per thousand cubic feet

Minimum Charge.

$1.50 per meter per month.

Special Conditions.

Consumers served under this schedule have priority in the use of gas over consumers served under other schedules of rates.

Provided, Southern Counties Gas Company shall file with the Commission, on or before September 20, 1920, the schedule of rates herein authorized.

It is hereby further ordered, that Southern Counties Gas Company shall set aside for depreciation reserve, in addition to the annuity heretofore estimated, 6 per cent per annum upon the accrued depreciation during each year.

It is hereby further ordered, that Southern Counties Gas Company shall set aside in a special reserve fund each year the amount herein allowed for amortization of abandoned property, same to be expended as may hereafter be directed by this Commission.

It is hereby further ordered, that all net earnings of Southern Counties Gas Company from its Ventura district in excess of the amount herein computed, plus 9 per cent per annum upon average additions and betterments, be set aside for the refunding of the deficit of $35,000 set forth in the opinion herein and such other purposes as may be approved.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this thirteenth day of September, 1920.

DECISION NO. 8100.

IN THE MATTER OF THE APPLICATION OF STEAM AND ELECTRIC INTERURBAN RAILWAYS AND BOAT LINE AND COMMON CARRIERS TO INCREASE FREIGHT AND PASSENGER RATES AND FARES.

Application No. 5728.

Decided September 13, 1920.

In denying the petition of East Bay Cities for rehearing as regards increase in commutation rates, San Francisco to East Bay points, the Commission points out in detail the fact that as all interstate freight and passenger rates where

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uniformly increased, to except a particular commutation district would be creating a discriminatory condition as regards all such increases, particularly other commutation districts not so excepted, and the further provision made in the original order which kept such proceeding open for the purpose of considering necessary readjustments of rates and all appropriate matters which may properly be brought before the Commission, of which remedy petitioners have made no effort to avail themselves.

BY THE COMMISSION.

OPINION ON PETITION FOR REHEARING.

The cities of Oakland, Berkeley, Alameda and Albany on August 25, 1920, filed their separate applications herein for rehearing in the above entitled matter. The applications are identical in form, with the exception of the names of the applicant cities, and are in the following language:

"The city of (name of city), a municipal corporation, on behalf of itself as a party to the above-entitled proceeding, and as the representative of its citizens who use the transbay ferry systems of the Southern Pacific Company, and of the San Francisco-Oakland Terminal Railways, respectfully petitions your honorable body to grant a rehearing as to that portion of your Decision No. 7983, which increases the transbay ferry rates (both one way and commutation) and authorizes said Southern Pacific Company and said San Francisco-Oakland Terminal Railways to charge and collect such increased rates on their respective transbay ferry systems.

"Your petitioner considers said portion of said decision to be unlawful for the following reasons and does urge the following grounds as reasons for setting aside and annulling said portion of said decision and granting a rehearing as thereto:

I.

"That said portion of said decision is against law.

II.

"That the evidence does not support said portion of said decision.

III.

"That the evidence is insufficient to support the findings.

IV.

"That the findings are insufficient to support said portion of the said decision.

V.

"That said portion of said decision is contrary to the evidence.

VI.

"That your honorable body erred in denying said city of (name of city) an opportunity to present evidence showing that the proposed increase of ferry rates was unnecessary, unwarranted and that the present rates were reasonable, just, sufficient and adequate and that the proposed increase was unreasonable and unjust.

VII.

"That your honorable body erred in granting an increase of ferry rates merely upon the decision of the Interstate Commerce Commission and without any showing that the present rates were unreasonable, unjust and insufficient, or that the proposed increased rates were reasonable and just.

VIII.

"That your honorable body is without jurisdiction to grant an increase of ferry rates solely upon the authority of the decision of the Interstate Commerce Commission, and without a showing that the present rates are unreasonable, unjust, inadequate and insufficient and without a showing that the proposed increased rates are reasonable and just.

IX.

"That your honorable body did not regularly pursue its authority in granting an increase of ferry rates without a hearing as to the unreasonableness, insuffi-

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ciency and injustice of the present rates and as to the reasonableness and justness of the proposed increased rates.

X.

"That your honorable body erred in increasing rates without a hearing as to and a determination of the value of the service rendered to the consumer who was to pay such increased rates.

XI.

"That your honorable body erred in so increasing transbay ferry rates as to require the commuter to pay a return upon property owned by said Southern Pacific Company and said San Francisco-Oakland Terminal Railways, but not devoted to the use of said commuter and not used or useful in the service rendered him.

XII.

"That your honorable body erred in increasing transbay ferry rates more than necessary to yield an adequate return upon the value of the transbay ferry system so that the said Southern Pacific Company and said San Francisco-Oakland Terminal Railways might have funds sufficient to rehabilitate other properties of theirs not devoted to use of that portion of the public using such transbay ferries.

XIII.

"That your honorable body erred in increasing ferry rates without an investigation as to the necessity, reasonableness and justice of such increase.

XIV.

"That your honorable body erred as a matter of law in considering said decision of the Interstate Commerce Commission as obligatory and mandatory upon you and erred as a matter of law, in fixing rates solely because of the supposed mandates of said decision of the Interstate Commerce Commission.

"Wherefore, the city of (name of city), a municipal corporation, requests that a rehearing may be granted as to that portion of said decision which increases the transbay ferry rates and empowers the Southern Pacific Company and the San Francisco-Oakland Terminal Railways to charge and collect increased transbay ferry rates."

Although the opinion in the above matter set forth quite fully the reasons for the original order made herein, the Commission has since the filing of said applications for rehearing given further and very careful consideration to the matter and feels compelled to adhere to its original order.

In view of the fact that said applications for rehearing indicate not only a lack of full understanding of the purport of the decision and also a full understanding of the opinion upon which it is based, it may be well to direct attention to some of the declarations and language of the opinion and order as well as to call attention to the views of the many interested shippers and representatives of the public appearing at the three different public hearings before the Commission in this matter.

The original application was filed by the carriers herein on May 21, 1920; thereafter, to wit, on June 3, 1920, and July 16, 1920, other carriers by petition requested that they be joined as applicants in the original petition. On July 17, 1920, said application was set down for first hearing before the Commission *en banc* at its office in San Francisco for August 2, 1920, at 10 a. m., and notice of such hearing was directed to be given, and was given in the usual manner

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required by this Commission in newspapers in different parts of the state.

The first hearing of said application was held at San Francisco and among the appearances, other than those of the petitioning carriers, were representatives of the San Francisco Chamber of Commerce, Oakland Chamber of Commerce, Fresno Traffic Association, and Stockton Chamber of Commerce.

After partial presentation on August 2, the matter was continued for further hearing at the office of the Commission at San Francisco on August 6. On the latter date additional appearances were entered, including a representative of the city of Oakland, and representatives of other shippers. At the conclusion of the hearing on August 6, further adjournment was had to August 11 at Los Angeles.

At the Los Angeles hearing, several additional appearances were entered, including representatives of the Lumbermen's Exchange, Associated Jobbers of Los Angeles, Imperial Valley interests, and Mr. Frank V. Cornish, city attorney of Berkeley, entering an appearance for East Bay cities, and also Hon. Louis Bartlett, mayor of the city of Berkeley. At the conclusion of the hearing at Los Angeles on August 11, the matter was submitted.

On July 29, the Interstate Commerce Commission made its order (Docket, *ex parte* No. 74), authorizing horizontal increases to carriers throughout the nation, such increases being made on percentage basis after the Interstate Commerce Commission has first territorially grouped the nation, California being embraced within the territorial group known as the Mountain Pacific group, which group, under said order, carried a 25 per cent increase on freight and a 20 per cent increase in passenger rates. The action of the Interstate Commerce Commission in making said increases was under the authority of the act of Congress ordinarily designated the Esch-Cummins act.

Obviously, it was necessary for carriers to comply with the spirit of the law that they publish the increases set forth under the mandate of Congress effective at the earliest possible date and the carriers determined that August 26 was the earliest date within which tariffs could be amended and distributed. This Commission was confronted with the necessity, therefore, of rendering its decision in this case at the earliest possible time, so that both state and interstate rates could become effective simultaneously, otherwise any different action would have resulted in chaos.

With but a single exception, all shippers and groups of shippers appearing before this Commission at the hearings in this matter agreed and, in effect, urged the necessity of this Commission making the order which it has made herein.

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The representative of the Chamber of Commerce of San Francisco, which constitutes one of the largest groups of shippers in the state, and who would be directly affected by the increases, in the course of his statement regarding his attitude as representative of those shippers, declared:

"I don't see how it is possible at this time, and under the general plan which is presented to us of endeavoring to give back to the carriers their former credit, in an endeavor to put them upon their feet as far as service is concerned, as soon as possible, I don't see how we can consider the separate conditions of California from those of Washington or Oregon or Idaho or Utah or New Mexico or Arizona, or even those parts of Colorado, or even the separate parts of the state of California itself, if you please, or the separate and individual items of the tariff. The question is, shall this Commission grant the 25 per cent increase in this territory irrespective of what the other states do within the territory—that is a matter of interest but none of our consideration, I should think—or whether we should refuse to do anything at all. I now amend my position, therefore, to be simply this: It seems to me, inasmuch as the idea of considering California separately must be logically out of the case, impossible, that this Commission must say, 'Yes' or 'No,' 'We will' or 'We will not grant this 25 per cent increase so far as the state of California is concerned.' And in so doing they practically say, 'We agree with the Congress of the United States in this new plan and in the endeavor to carry it out through the action of the Interstate Commerce Commission and we will not put anything in its way.' Therefore, the possibility of considering California separately, or certainly of considering various parts of California separately, pass out of this case."

This Commission, in its opinion, expressed its view as to the duty imposed upon it by law to the existing conditions in the following language:

"The Railroad Commission of California is confronted with these alternatives—either it must proceed and take evidence as to valuation, revenues and expenses, competitive conditions, long and short haul violations and the various other factors to which consideration is given in reaching a conclusion as to the reasonableness of rates, and come to a conclusion based on the conditions in California alone, regardless of the effect the income produced by the rates thus fixed would have upon the action of the Interstate Commerce Commission, or it must proceed in harmony with the decision of the Interstate Commerce Commission and put into effect the assumption that state rates would be increased in harmony with its decision.

"We have given this matter very careful consideration and in doing so have attempted to give weight to the probable consequence of proceeding upon either of these alternatives. We realize that without requiring more evidence than is now before us in this proceeding to impose on intrastate business the identical percentage authorized by the Interstate Commerce Commission would in effect be the fixing through us of state rates by the Interstate Commerce Commission. Whether or not this constitutionally may be done is a question we do not consider it our function to decide. On the other hand, to proceed in the usual manner as though this were entirely an independent proceeding would result in serious delay, as it is evident that to gather and submit adequate data upon which to base a sound judgment of what practically all transportation rates in California ought to be, would require many months and all possibility of immediate relief to the carriers found to be imperative by the Interstate Commerce Commission, would disappear."

And later the opinion declares:

"We feel that regardless of any opinion we might have as to the wisdom or unwisdom of the Esch-Cummins Act, it is the foundation upon which the regulation of the railroads now rests and to shake that foundation would be against the public interest.

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"We do not mean to say that this Commission has abdicated its functions in rate fixing, as we believe that our determination to grant the prayer of applicants is sustainable upon the ground of reasonableness. Furthermore, we realize that we have a heavy responsibility in the matter of adjusting state rates which inevitably will become necessary upon the imposition of a percentage increase. The shippers who appeared before us in this proceeding have taken a very commendable position. Practically without exception they have stated their conviction that the railroads must have relief in increased rates in order adequately to give service. Furthermore they believe that this Commission should cooperate with the Interstate Commerce Commission and make effective its order increasing rates. They do urge, however, that this Commission keep control of the matter of adjustment of rates after the imposition of a percentage increase."

The foregoing discussion of the history of this proceeding, including the expressions of the shippers, through their representatives at the hearing, is addressed to those portions of the petitions for rehearing herein which urge that the decision is against law and is unsupported by the evidence, and similar grounds of objection.

Again declaring our firm conviction of the wisdom and necessity of the order granting the increases prayed for, there still remain the contentions of the applicants for rehearing that different treatment should be had of the so-called East Bay ferry situation from that which was accorded in other commuter or shipping conditions in the state of California.

The Southern Pacific East Bay ferry system is a part of the interstate system of that company. It must be evident that whatever obligation rested upon this Commission to increase intrastate rates of interstate carriers applied to the Southern Pacific East Bay ferry rates. Indeed, the mayor of the city of Berkeley, at the last hearing of this matter at Los Angeles, strongly indicated concurrence in that view in the following language:

"I want to agree with what Mr. Mann has said about the desirability of this Commission laying down certain principles for the application of this order, and among others, I desire to call your attention to the situation that exists in the East Bay cities. We have two transportation systems there, the Key Route and the Southern Pacific. I take it it is the general consensus of this gathering here that the Interstate Commerce Commission ruling as to the increase of rates should apply to the Southern Pacific, as it is an interstate carrier. The Commission, I think, has announced the general principle that, where the companies are competitive, a rate which is granted to one will also be granted to the other."

The mayor further proceeded to urge that if the Commission should, without further investigation as to the reasonableness of the commutation rates and the increased passenger rate, raise also the Key Route rates, that the community represented by him would be in a position where its prosperity would be vitally affected, and urged that in the event of such increase of Southern Pacific ferry rates that a parallel increase should not be allowed the competing company until investigation was made.

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The difficulty, if not impossibility, of adopting the suggestion of the mayor of Berkeley is pointed out in a protest filed with this Commission August 16, 1920, signed by the city attorney and assistant city attorney of the city of Oakland, by the city attorney of Berkeley, and by the city attorney of Alameda, in which statement and protest they lay great emphasis upon the impossibility of having a differential in the East Bay ferry rates between the competing companies.

Paragraph III of said protest is entitled, "The Mere Granting of an Increase to the Southern Pacific Company Would Compel the Granting of an Increase to the Key Route," and following such title appears the following presentation by the legal representatives of these cities:

"The granting of an increase in the ferry rates to the Southern Pacific Company would forestall any opposition the cities might have to an increase of fares to the Key Route system. Obviously since the Key Route and the Southern Pacific operate competitive ferry systems there must be an absolute parity of rates as to the same service. In the present case if a three-cent increase were granted to the Southern Pacific and the same increase were not granted to the Key Route, the Key Route would make inroads upon the present business of the Southern Pacific. The loss of business thus caused would defeat the very object of granting an increase to the Southern Pacific. Without any other showing than an order increasing the transbay ferry rates of the Southern Pacific, the Key Route would be entitled to an equivalent raise."

The protest proceeds then to object to any increase being granted the Southern Pacific without a showing of the necessity therefor.

Unquestionably many of the large shippers of the state suffer undue prejudice and hardship through the horizontal increases, as this inevitably follows all horizontal increases which disturb previous differentials. With practical unanimity, however, such shippers, through their representatives at the hearing, recognizing the necessity of the situation, accepted, and in many instances suggested, correction of such unjust relationships through early readjustments with the carriers, and if such were denied by the carriers, through the intervention of this Commission.

To have made any different or other order regarding the East Bay ferry rates would have been discriminating unjustly against all persons in this state who would be required to pay the increased freight or passenger rates. Had the exception been made which the objecting cities urge, justice would require that the same consideration be given the commuters on the Northwestern Pacific ferries to Sausalito and points beyond; similarly, the so-called peninsula commuters would be entitled to the same consideration, as they constitute a body of commuters whose business and home relationships are similar to those of the East Bay commuters, the service of the Southern Pacific, in so far as its East Bay commuters, being that of furnishing ferry and rail service, and the peninsula being furnished by the same company with

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rail commutation service. If the San Francisco Bay commuting patrons of the carriers should be shown this consideration, at some point an injustice would be imposed in determining where the increased commutation rates should stop—whether at Sausalito, Mill Valley, San Rafael, Burlingame, San Mateo or San Jose. Indeed, a similar situation would be present in Los Angeles and its suburban territory and the unjust discrimination in favor of the commuters about San Francisco Bay would be apparent if similar limitations were not imposed upon the commutation rates out of Los Angeles and other larger centers in the state.

Petitioners for rehearing herein urge as a further ground for excepting the East Bay ferry rates from the operation of the increases, that increases have been allowed in these rates as follows: A 10 per cent increase authorized June 8, 1918 (Decision No. 2985, Vol. 15, C. R. C., p. 832), and thereafter on August 11, 1919 (Decision No. 6549), an increase to 15 cents for single fare and monthly commutation fare from $3.30 to $4 was authorized, and therefore these rates should be excepted from the present increases.

The former increases were authorized to allow what this Commission at that time deemed a proper rate under the then existing conditions. The Interstate Commerce Commission in the present situation directed increases on the *existing* rates. To pursue the suggestion of petitioners herein would be to inquire fully not only into all questions of differentials and relationship of rates occasioned by so-called General Order 28 of the Federal Railroad Administrator, but indeed an inquiry into the reasonableness of all rates, both freight and passenger, prior to the 25 per cent increase of the Interstate Commerce Commission, a situation which, for reasons hereinbefore stated, was and is practically impossible.

The refusal of this Commission to except the application of the increased rates to the East Bay ferry rates manifestly does not foreclose the applicants for rehearing herein from a presentation to this Commission of the question of reasonableness of these rates, unless subsequent judicial action would determine that the Esch-Cummins act absolutely precludes consideration by this Commission of any intrastate rate of an interstate carrier.

Aside from the general and at all times existing right to have the reasonableness of those rates challenged, is the expressed declaration by this Commission in the concluding paragraph of the order herein, under subtitle "Adjustments," which reads as follows:

"This proceeding will be kept open for the purpose of considering adjustments of rates and all appropriate matters which may properly be brought before the Commission.

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"Adjustments will be necessary and carriers will be expected to deal promptly and effectively therewith, to the end that such readjustments may be made in as many instances as practicable without forcing an appeal to this Commission."

The remedy, therefore, to all parties interested is available to the protesting cities herein, but no effort has as yet been made by any of said cities to avail themselves thereof.

ORDER.

The cities of Oakland, Berkeley, Alameda and Albany having filed separate applications for rehearing in the above entitled matter, and the Commission having given full and careful consideration to said applications;

It is hereby ordered, that applications of said cities and each thereof for rehearing herein be and the same are hereby denied.

Dated at San Francisco, California, this thirteenth day of September, 1920.

DECISION No. 8102.

IN THE MATTER OF THE APPLICATION OF SAN DIEGO ELECTRIC RAILWAY COMPANY, A CORPORATION, FOR AN ORDER AUTHORIZING THE EXECUTION OF A DEED OF TRUST AND THE ISSUE OF BONDS OF THE FACE VALUE OF $4,748,000.

Application No. 1206.

Decided September 13, 1920.

BY THE COMMISSION.

THIRD SUPPLEMENTAL ORDER.

Good cause appearing;

It is hereby ordered, that the time within which San Diego Electric Railway Company may issue the bonds authorized by Decision No. 1851, dated October 6, 1914 (Vol. 5, Opinions and Orders of the Railroad Commission of California, p. 517), be and it is hereby extended to and including October 1, 1921, provided that none of the proceeds realized from the sale of the bonds be expended except for such purposes as may be hereafter authorized by the Railroad Commission.

It is hereby further ordered, that the order in Decision No. 1851, dated October 6, 1914, as amended, shall remain in full force and effect, except as modified by this third supplemental order.

Dated at San Francisco, California, this thirteenth day of September, 1920.

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DECISION NO. 8105.

IN THE MATTER OF THE APPLICATION OF THE NORTHERN OIL COMPANY FOR AN ORDER AUTHORIZING AN INCREASE IN WATER RATES.

Application No. 5185.

Decided September 16, 1920.

Chaffee E. Hall, for Applicant.

BY THE COMMISSION.

OPINION.

This is an application by Northern Oil Company, a corporation, owner of a public utility water system located in Maricopa, Kern County, California, in the region known as the "Sunset Oil Fields," for an order authorizing an increase of water rates for distribution and sale of water to consumers in Maricopa and the environs thereof.

Applicant alleges, in effect, that the present rates do not produce income sufficient to equal operating costs, replacement fund and interest on investment.

The rate in effect at present in this system is two cents per barrel of 42 gallons, with a discount of 2 per cent for cash where the monthly consumption is equal to 25,000 barrels.

A public hearing was held in this proceeding, of which all consumers were notified and given an opportunity to appear and be heard. At the hearing Mr. D. H. Harroun, one of the Commission's hydraulic engineers, presented a report covering a field investigation, appraisal of properties and maintenance and operation study of applicant's system.

The appraisal submitted by the Commission's engineer shows the estimated original cost of the system to be $111,522, and gives $2,937 as the replacement annuity, computed on the sinking fund basis. These estimates were not questioned at the hearing or subsequently, and appear reasonable, and therefore will be adopted for the purpose of this proceeding. The report also recommends the sum of $25,246 as a fair and just estimate of the future annual cost of operating this system.

Applicant leases its water-producing properties from the Kern Sunset Oil Company, and there is included, in estimated maintenance and operating expense, the sum of $9,055 to cover this expense.

The following is a summary of the annual charges as set out above:

Interest on $111,522 at 8 per cent	$8,922 00
Replacement annuity	2,937 00
Maintenance and operation	34,301 00
Total estimated annual charges	$46,160 00

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The total operative income from this system for the year 1919 was $30,173, and it does not appear that there will be any appreciable increase in income in the near future by reason of increased consumption. It is therefore apparent that this is a case in which the application for authority to increase rates should be granted, and the schedule established in the following order is designed to yield to applicant maintenance and operation expense, replacement fund, and interest on the investment.

ORDER.

Northern Oil Company having applied to the Railroad Commission for authority to increase the rates charged for water served to consumers on its water system, a public hearing having been held, and the Commission being fully advised in the premises:

It is hereby found as a fact that the rates and charges of the Northern Oil Company, in so far as they differ from the rates herein established, are unjust, unreasonable and unremunerative, and that the rates and charges herein established are just and reasonable rates. And basing its order on the foregoing findings of fact and on the further findings of fact contained in the opinion which precedes this order;

It is hereby ordered, that the Northern Oil Company be and it is hereby authorized to file with the Railroad Commission of the State of California within twenty (20) days of the date of this order and thereafter charge the following rate for water:

Three cents per barrel of 42 gallons.

Dated at San Francisco, California, this sixteenth day of September, 1920.

Decision No. 8113.

IN THE MATTER OF THE APPLICATION OF AMADOR ELECTRIC LIGHT AND POWER COMPANY FOR AUTHORITY TO CHARGE INCREASED RATES FOR ELECTRICITY.

Application No. 5941.

Decided September 16, 1920.

J. T. Ryan, for Applicant.

BY THE COMMISSION.

OPINION.

In this application Amador Electric Light and Power Company, hereinafter referred to as applicant, alleges that during the year 1919 and the first six months of 1920 it has failed to earn a reasonable return upon its investment; that on account of general depression in

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the mining industry in its territory its business is not growing; that its operating expenses, which have been steadily increasing, will be further increased by the 15 per cent surcharge now paid for service from Pacific Gas and Electric Company; and asks that the Commission make an investigation and fix just and reasonable electric rates to be charged by it.

A public hearing was held before Examiner Satterwhite at Jackson on August 21, 1920, but no protests against the proposed increase were made. Applicant submits a statement of its revenues and expenses for the past eighteen months, which after review has been found to be reasonable. The following table shows applicant's revenue and expenses for 1918, 1919 and the first six months of 1920, together with a statement of the probable revenues and expenses for the next fiscal year under existing rates and costs:

TABLE No 1.

Amador Electric Light and Power Company.

Electric Revenue and Expense.

	1918	1919	January to June 1920	Estimate July 1920 to June 1921 at present rates
Operating revenue	$31,970 61	$38,091 34	$19,710 29	$38,966 60
Energy purchased	8,015 65	10,509 38	5,805 18	12,900 00
Depreciation	4,741 91	4,800 00	2,400 00	4,800 00
Total operating expense	27,810 22	28,281 78	15,318 50	31,900 00
Net from operation	4,160 39	9,719 56	4,391 79	7,066 60
Merchandise and jobbing revenue	123 32	933 16	219 29	500 00
Net for return	4,283 71	10,652 72	4,611 08	7,566 60
Rate base	154,780 00	157,565 00	164,530 00	170,709 01
Rate of return	2.8%	6.8%	5.6%	4.4%

In connection with Application No. 4119, the Commission made a valuation of applicant's properties and investigated its operating expenses and revenues. In Decision No. 6065 in the earlier application dated January 15, 1919 (Opinions and Orders of the Railroad Commission of the State of California, volume 16, page 409), a schedule of rates was established which was found to be just and reasonable, based upon the operating expenses found at that time, and which would enable applicant to earn a fair rate of return. The continued depression in the mining business, upon which the territory served by this company almost entirely depends, has caused a loss in the number of consumers, and the net revenue during the year 1919 was consequently less than was anticipated. Applicant is now serving 981 consumers as compared with 1200 in 1917.

The facts presented in Table No. 1 show that applicant's earnings have not been excessive in the past, and if it is to receive a reasonable return in the face of increases in the cost of purchased power and other

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operating expenses, it must in turn receive increased rates for the service which it supplies.

The rates hereinafter set forth are designed to cover the increased cost of operation and to allow the applicant a normal rate of return.

ORDER.

Amador Electric Light and Power Company having applied to the Railroad Commission for authority to increase its rates for electric service, a public hearing having been held, the matter being submitted and now ready for decision:

The Railroad Commission of the State of California hereby finds as a fact that the present rates of Amador Electric Light and Power Company are not just or reasonable, in so far as they do not provide a sufficient return, and differ from the rates hereinafter set forth, which are found to be just and reasonable rates. Basing its order on the foregoing finding of fact and on the other findings of fact contained in the opinion which precedes this order;

It is hereby ordered, that Amador Electric Light and Power Company be and it is hereby authorized to charge and collect for electric service the following rates, effective for all regular meter readings taken on or after the twentieth day of September, 1920:

SCHEDULE L-1.

General Lighting.

Cancelling schedule 1 now in effect.

Rate.

For the first	30	kilowatt hours per meter per month,	12c per kilowatt hour
For the next	70	kilowatt hours per meter per month,	10c per kilowatt hour
All over	100	kilowatt hours per meter per month,	8c per kilowatt hour

Minimum charge.

$1.25 per meter per month.

SCHEDULE L-2.

Street Lighting.

Cancelling schedule 3 now in effect.

40-watt tungsten lamps, $1.20 per lamp per month, including installation, maintenance, renewals and current for all-night operation.

SCHEDULE C-1.

Combined Lighting, Cooking, and Heating.

Cancelling schedule 2 now in effect.

Rate.

For the first	20	kilowatt hours per meter per month,	12c per kilowatt hour
For the next	80	kilowatt hours per meter per month,	4½c per kilowatt hour
For all over	100	kilowatt hours per meter per month,	3c per kilowatt hour

Minimum charge.

Fifty cents per kilowatt of connected heating and cooking load, but not less than $2.50 per month.

When no lighting service is included, the first block of 20 kilowatt hours will be at 4½ cents per kilowatt hour.

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SCHEDULE P-1.

General Power—Less Than 25 Horsepower.

Cancelling schedules 3 and 6 now in effect.

Applicable to all power installations of less than 25 horsepower connected load.

Rate.

First 40 kilowatt hours per month per horsepower of connected load	5½c per kilowatt hour
Next 60 kilowatt hours per month per horsepower of connected load	3½c per kilowatt hour
Next 100 kilowatt hours per month per horsepower of connected load	2½c per kilowatt hour
All over 200 kilowatt hours per month per horsepower of connected load	1¾c per kilowatt hour

Minimum charge.

$1 per month per horsepower of connected load, but not less than $2 per month.

SCHEDULE P-2.

General Power—25 Horsepower and Larger.

Cancelling schedules 4 and 6 now in effect.

Applicable to all power installations of a connected load of 25 horsepower or more. Charges under this rate will be based on the readings of demand indicating instruments which will be installed and maintained by the company.

Rate.

$1.50 per month per horsepower of 15-minute maximum demand, to which shall be added an energy charge of 1¼ cents per kilowatt hour.

Minimum charge.

$1 per month per horsepower of connected load.

Provided, Amador Electric Light and Power Company shall, within ten days of the date of this order, file with the Railroad Commission the schedules of rates herein established, and further provided that power consumers shall be billed on existing rates until such time as necessary demand indicating instruments shall be installed.

Dated at San Francisco, California, this sixteenth day of September, 1920.

DECISION NO. 8114.

IN THE MATTER OF THE APPLICATION OF EL SEGUNDO WATER COMPANY, A CORPORATION, FOR AN ORDER AUTHORIZING THE ISSUE OF STOCK.

Application No. 5478.

Decided September 16, 1920.

Robert M. Clark, for Applicant.

BY THE COMMISSION.

OPINION.

El Segundo Water Company asks permission to issue $15,000 par value of its capital stock. Applicant has an authorized stock issue of $150,000, of which $50,000 has been issued under the authority

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granted in Decision No. 5775, dated September 18, 1918 (Volume 16, Opinions and Orders of the Railroad Commission of the State of California, page 76).

Applicant reports that it has no bonded indebtedness and has notes outstanding in the amount of $2,000.

In Decision No. 8028, dated August 27, 1920, the Commission found the estimated original cost of applicant's properties to be $61,094, and recommended that some provisions be made for the installation of higher storage tanks and other means for improving the service.

In its decision the Commission calls attention to the plant of applicant being overbuilt and that it can not reasonably expect a return on the estimated original cost.

Applicant reports that it is necessary for it to expend approximately $12,530 to drill and equip an additional well, construct a pumphouse and lay new mains and extensions to meet the demand for water service. To pay for these improvements, applicant asks permission to issue $15,000 of its common capital stock, which stock will be purchased by El Segundo Land and Improvement Company at par. The purchasing company owns all of applicant's outstanding stock except shares necessary to qualify directors.

ORDER.

El Segundo Water Company, having applied to the Railroad Commission for permission to issue $15,000 of stock, a public hearing having been held, and the Railroad Commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required for the purpose or purposes specified in this order, and that the expenditures for such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income;

It is hereby ordered, that El Segundo Water Company be and it is hereby authorized to issue and sell, on or before December 31, 1920, at not less than par, $15,000 of its common capital stock and use the proceeds to pay for drilling and equipping the well, constructing the pumphouse, laying mains and extensions referred to in this application and to pay for the construction of the improvements referred to by the Commission in Decision No. 8028, dated August 27, 1920, provided that El Segundo Water Company will keep such record of the issue and sale of the stock herein authorized and of the disposition of the proceeds as will enable it to file, on or before the twenty-fifth day of each month, a verified report, as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

Dated at San Francisco, California, this sixteenth day of September, 1920.

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DECISION NO. 8119.

IN THE MATTER OF THE JOINT APPLICATION OF THE SOUTHERN SIERRAS POWER COMPANY AND HOLTON POWER COMPANY FOR A REVISION OF RATES.

Application No. 5334.

Decided September 16, 1920.

VALUATIONS—ELECTRIC PROPERTIES—PROCEDURE USED.—With reference to applicant's claim that rates should be established on estimated present value of property and not on historical cost new, it is held that a public utility operating in practically noncompetitive territory, is in a different position from nonpublic corporations in that it is obliged to make extensions to care for new business during periods of high as well as low cost and that to base rates on present value during a temporary period of high costs, while of immediate benefit to the utility, would work to its disadvantage during normal times, particularly as regards investments made when material costs were excessive.

ACCRUED DEFICITS—INCLUSION IN RATE BASE.—The Commission refuses to make an allowance for the accrued deficit of a water company, subsidiary of an electric utility, when it is shown that such deficit was incurred by the water company being deprived of the use of its water, which rights were transferred to the electric utility who profited thereby.

VALUATION—WATER RIGHTS—ALLOWANCES FOR.—It is held that the utility should be allowed the cost of water rights applicable to its plants, together with such losses as have occurred due to the holding of these rights from the time of purchase until made useful, provided, that the cost of rights materially in excess of the amount properly chargeable to present operative plants, and which does not interfere with existing irrigation rights, should not be allowed.

DEVELOPMENT COSTS—ALLOWANCES FOR.—It is held that as applicant's earnings have been relatively low due to the nature of the territory served, it should be allowed a reasonable sum to amortize development costs, such development costs being equivalent to the deficits incurred during the early part of the development period. Such allowance will not, however, be based on all deficits below a specified return, as such action would result in guaranteeing applicant against loss, which, if done, would require that the return allowed be based on such reduced hazard. Reasonable development costs of applicant to be amortized out of earnings is held to be the deficit incurred during the first three and one-half years of operation, totaling approximately $700,000.

DEVELOPMENT COSTS—PURCHASED PROPERTIES—ALLOWANCE FOR.—The Commission refuses to allow as development costs, either in capital or to be amortized at this time, early losses incurred by a utility prior to its purchase by present owners, as former owners would not benefit thereby and it would be equivalent to requiring consumers now to pay power bills which should have been paid at the time, were they reasonable.

COST OF MONEY—RATE OF RETURN—EFFECT ON.—In fixing the rate of return it is held that applicants should be allowed a return that was considered reasonable on money invested prior to the present increased cost and a higher return commensurate with the increased cost of money on investments made during the period of high costs, such allowance being made on the assumption that both companies have passed the development period and would, under normal conditions, have earned a reasonable return. Return of 8 per cent on investments made prior to 1918 and 9½ per cent on investments made during 1918, 1919 and 1920 allowed.

RATE FIXING—SEPARATE SYSTEMS UNDER SAME CONTROL.—It is considered reasonable to combine two systems under the same control for rate-fixing purposes; provided, the allocation of costs is so made that each system shall bear, in so far as possible, its proportion of the total cost of service and in case the value of service is not sufficient to make such possible as regards one system, that the difference shall not be placed on consumers of the other system.

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ELECTRIC UTILITIES—RATE FIXING—INDIVIDUAL LOCALITIES.—With respect to the contention of several towns that a separate rate should be established for them on the ground that the cost of service is lower as compared with balance of applicant's system, the Commission holds that if such request was granted it would lead to the establishment of a large number of individual rates, each applicable to a small community or district, and would tend to stifle development, retard expansion and ultimately result in higher rates.

RATE INCREASES—VALUE OF SERVICE—COMPETITIVE FORMS OF POWER.—It is held that a public utility can not expect consumers to take service if the cost of such service is in excess of the cost of other forms of power, and while power rates are increased as required, it is held that the company should waive any contractual rights in individual instances when the continuance of service is unprofitable to the consumer.

ELECTRIC SERVICE—INTERRUPTIONS TO.—Due to the length of transmission lines necessary to serve Imperial Valley points, it is held that interruptions to service are inevitable and that the present load would not justify the large expenditure necessary to constructing a secondary transmission line or standby plant to fully supply the load requirements without increasing rates to a point far in excess of the value of the service.

ELECTRIC RATES—SERVICE CONDITIONS—INCREASES.—A contention that rates should not be increased due to the condition of service can not be controlling in establishing rate increases when it is shown that the utility has done all that can reasonably be expected to render adequate service under the particular conditions in which it is operating in the territory in question and that to refuse a reasonable increase at this time would in all probability result in worse conditions of service in the future.

ELECTRIC SERVICE—EXTENSIONS—COST OF.—Rules of applicant as regards construction of extensions approved, the utility to make all extensions at its own expense where the cost thereof is not in excess of $80. The utility also to pay interest when entire cost of extension is advanced in cases where the utility would make the extension without advance were money available.

Increased schedules of rates for all classes of service established, the majority of which will become effective for meter readings made on and after September 20, 1920.

E. B. Criddle and *A. B. West*, for Applicant.

Miguel Estudillo and *George A. French*, for city of Riverside.

C. L. McFarland, for Farm Bureaus of San Bernardino, Orange and Riverside Counties, Sunny Mountain Orange Company, Ennis Brothers, Liberty Ranch, Golden West Fruit Company, Granite Hill Land Company, Lemons Heights Orchard Company, D. Ormond, and G. I. Lytle.

J. S. Larew, for city of El Centro.

H. N. Dyke, for city of Imperial.

M. V. Oakley, for city of Holtville.

Joe Simons, of Imperial Valley, for manufacturers and the common people.

H. M. Fennemore, of Phoenix, for the Yuma Ice, Electric and Manufacturing Company.

Ben Ferguson, for the Arizona Corporation Commission.

James L. Allen, for the city of Brawley.

C. O. Lantz, for Moreno Water Company stockholders.

Henry Goodcell, of San Bernardino, for Lytle Creek Water and Improvement Company of Rialto.

L. A. Hazard, for Bishop Chamber of Commerce.

P. W. Stamps, for California Central Creameries of El Centro.

W. L. Paul, for Coachella Valley.

S. W. McNab, for James Barnhill.

R. E. Hodge, for city of Rialto.

Walter S. Clayson, for Temescal Water Company.

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H. H. Myers, for city of Calipatria.
O. B. Wyman, for California Central Creameries of El Centro.
J. Stewart Ross, for the Imperial Irrigation District.
Thomas C. Yeager, for S. S. M. Jennings and John von Rader of Coachella Valley.
Elmer W. Heald, city attorney, for city of Calipatria.
J. S. Larew and *Fred H. Smith*, for all cities of the valley.
J. E. Simpson, for city of Holtville.
C. R. Freeman, city attorney, for city of Corona.

BRUNDIGE, *Commissioner*.

OPINION.

The Southern Sierras Power Company and Holton Power Company, hereinafter referred to as Sierra Company and Holton Company respectively, or as applicants, filed on February 4, 1920, a joint application with this Commission for a revision of rates. Applicants in their joint application request that this Commission determine the fair value of all properties and business of applicants, and that rates be fixed which will afford a reasonable return to them and such as will enable them to properly provide, through the regular financial channels, for future needs of the territory now served, or which may hereafter be served.

Applicants state that a full and complete investigation of their rates has at no time been made; that it is desired such an investigation be made at this time by the Commission to determine a rate base and to fix reasonably permanent rates which will give them a fair return; that it is desired an appraisal of their properties be made, and that, for the purpose of this investigation, the properties of the two companies be considered as one, consideration, however, being given to the physical operating conditions. They further desire that this matter be disposed of without bringing up the feature of the separate entity of the two corporations. In this connection applicants allege that the two properties are financially controlled by the same holding corporation and are under the same management.

Public hearing in this matter was held in the city of Riverside, May 5 and 6, 1920. Adjourned hearings were held in the city of El Centro on June 2, 1920, and in the city of Riverside on June 3, 21 and 22, 1920.

Sierra Company and Holton Company formerly applied to this Commission on August 17, 1918, for financial relief in the form of increase in rates. At that time applicants requested increase in rates due to the abnormally increased cost of operating, low rate of return earned in the past on investment, inability to finance new developments and extensions necessary to meet essential demands for power and inability to pay interest upon obligations from revenue under the existing rates. This matter was decided in Decision No. 6013, dated December 23, 1918 (Opinions and Orders of the Railroad Commission of the

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State of California, Vol. 16, page 331), and it was therein ordered that certain surcharges should be applied to the then existing rates. These surcharges, together with the rates to which they were added, are at present in effect except in certain portions of the city of San Bernardino where the Southern Sierras Power Company is in competition with Southern California Edison Company and within this competitive territory the rates of the two utilities have been kept identical. In Decision No. 7439, dated April 19, 1920, Sierra Company was authorized to increase its rates applicable to the competitive territory to correspond to the increase allowed the Southern California Edison Company.

At the hearing in the present proceeding, extensive evidence was introduced by applicants relative to matters of valuation, revenue, and expense of the companies, history of developments and needs of companies, through direct testimony of witnesses and in the form of 19 exhibits. Evidence was introduced by protestants representing the various districts and consumers served and by the Commission's engineers, who had made extensive investigation into the valuation and operation of applicants' properties.

It was stipulated that all data and information in the files of the Commission relevant to the proceeding in question, also any further information which the Commission might request, should be considered in evidence in this proceeding.

The Southern Sierras Power Company serves electric energy in Inyo, Kern, San Bernardino, Riverside and Imperial counties. Energy is also wholesaled to Nevada-California Power Company for resale in the state of Nevada; to the Holton Power Company for distribution in Imperial Valley; to the Yuma Gas, Light and Water Company for resale in the state of Arizona; and surplus energy is delivered to Southern California Edison Company at Colton when available and required.

Sierra Company owns and operates two hydroelectric plants on Bishop Creek, Inyo County, known as Plants Nos. 5 and 6, with a capacity of 3375 and 2000 kilowatts respectively; a steam plant of 11,000 kilowatt capacity located at San Bernardino, and a small Deisel engine electric plant located in the town of Blythe, which is operated for the service of the community. It operates a 90,000-volt steel tower transmission line from its Bishop Creek plants to the city of San Bernardino; a 55,000-volt pole transmission line from San Bernardino through the Coachella Valley to El Centro and thence to Yuma, and distributes electric energy for mining, industrial and agricultural power and for lighting and miscellaneous purposes throughout the territory. The total length of applicant's transmission lines from its Bishop

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Creek plants to Yuma is 450 miles and may be considered as the longest operating transmission line in California.

Nevada-California Power Company, an allied corporation of applicants, owns five hydroelectric plants located in California and distributes electric energy for mining and miscellaneous purposes in the state of Nevada. The hydroelectric plants of Nevada-California Power Company consist of three plants located on Bishop Creek, known as Plants Nos. 2, 3 and 4, with capacities of 6750 kilowatts each, and Rush Creek plant and Mill Creek plant in Mono County, with capacities of 10,000 and 3000 kilowatts respectively. Plants Nos. 2 and 3 on Bishop Creek and the Rush Creek and Mill Creek plants, together with interconnecting transmission lines, have been leased to the Southern Sierras Power Company and are operated by that utility and supply the larger amount of electric energy distributed over the Southern Sierras system. Plant No. 4 is operated by Nevada-California Power Company for production of energy for its Nevada business, any additional power required for that business by that company being purchased from the Southern Sierras Power Company.

The Holton Power Company serves electric energy throughout the Imperial Valley in Imperial County, and also wholesales power to the Mexicala Water and Light Company for resale purposes in Mexico. Holton Power Company purchases the energy distributed from the Sierra Company at El Centro and also maintains at that place, for emergency purposes, a gas-electric and steam-electric plant, with a total capacity of approximately 900 kilowatts.

In 1905 the Nevada Power Mining and Milling Company was organized and constructed a power house on Bishop Creek, rendering service to Tonopah, Goldfield and other points in Nevada, and also to certain mining sections in California. In 1907 Nevada-California Power Company was incorporated and then purchased and took over the Nevada Power Mining and Milling Company. The Nevada-California Power Company, realizing that its power developments would not be fully utilized in serving its Nevada load, and that a diminution of the mining load was imminent, organized and incorporated the Southern Sierras Power Company in 1911 to develop an electric power business in California. The Southern Sierras Company was assisted in its development by large advances of money for construction purposes, by the guarantee of its bonds, and further, by delivery of power to it at low cost by the Nevada company. Sierra Company purchased Bishop Creek Plant No. 5 from Nevada-California Power Company and rights for the construction of its plant No. 6. It then commenced the construction of a transmission line to San Bernardino and a steam plant at that place, purchased certain existing local distribution

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systems and made additional extensions into new territory for the development of business. In 1915 Nevada-California Electric Corporation was incorporated, taking over as a holding corporation the various utility and nonutility companies allied with the Southern Sierras Power Company. Since that time the financing of new developments has in general been accomplished through the holding company.

The Coachella Valley Ice and Electric Company and allied companies in 1914 constructed a transmission line from Banning to El Centro to serve adjoining territory and also to the Holton Power Company in Imperial Valley. Prior to 1917 the Southern Sierras Power Company, or Nevada-California Power Company, acquired control of the Bishop Light and Power Company, Corona Gas and Electric Company, Rialto Light, Power and Water Company, Elsinore Electric Light and Power Company, San Jacinto Electric Light Company, Hemet Fuel and Milling Company, and Coachella Valley Ice and Electric Company. In the latter part of 1917 all of these companies were merged in Southern Sierras Company.

The Holton Power Company was organized in 1903 for the purpose of supplying electric service to the growing communities of Imperial Valley. It was owned and controlled by parties directly interested in the general development of the valley and in other enterprises there. A small steam plant was constructed and later a hydroelectric plant on the Alamo River and a gas-electric plant in El Centro. Power was obtained from Coachella Valley Ice and Electric Company by a transmission line to El Centro, completed in 1914. The hydro plant was later abandoned due to lack of water. The company did not develop into a prosperous utility, and on January 1, 1916, after eleven years of unprofitable operation, was taken over, through stock acquisition, by the Nevada-California Electric Corporation and placed under the same general management as the Southern Sierras Power Company, though maintaining its separate corporate identity.

At the present time the Nevada-California Electric Corporation is the holding corporation of the Nevada-California Power Company, the Southern Sierras Power Company, Holton Power Company, as well as of several utility and nonutility companies in California and elsewhere. The three electric utilities and the several other enterprises in California are managed through the same general offices.

The present proceeding involves not only the question of valuation and rates of the Sierra and Holton companies, but, in turn, the reasonableness of the rental charge made to Sierra company by Nevada company and the prorating of general expense between the various enterprises.

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Representatives of applicants, who are also officers of Nevada-California Power Company, contend that the latter is not a utility under the jurisdiction of this Commission as it does not sell any electric energy in California, its sale of electric energy being limited to the state of Nevada. Nevada-California Power Company leases its electric plants in California for a definite compensation per kilowatt hour to the Southern Sierras Power Company and it is necessary herein to determine the reasonableness of this charge.

Applicants herein are willing that the Commission determine the reasonableness of the rental charges and to have their costs based on the Commission's finding thereon. Under these conditions it is unnecessary to discuss the law upon which the Commission asserts its jurisdiction in the premises.

The assets and liabilities of the Southern Sierras Power Company as of December 31, 1919, are set forth in Table No. 1. The investment in the company's properties is represented by borrowed funds and surplus earnings rather than moneys obtained from the sale of stock. Although $5,000,000 of stock is outstanding, practically all of the stock was issued without any cash consideration, and was issued in connection with the purchase and construction of the properties. The fixed capital accounts of the company have been revised and $4,995,350 transferred to the account "Unamortized Discount on Stock." The company reports $4,637,000 of bonds outstanding and accounts payable amounting to $3,214,922.92. Part of the company's bonds were sold through the Sierras Construction Company, which built some of the company's properties. Others were issued to refund advances by the Nevada-California Power Company and the Nevada-California Electric Corporation. The accounts payable include $1,925,320 due the Nevada-California Power Company, while the greater portion of the remaining accounts payable represent amounts due the Nevada-California Electric Corporation.

Applicant submitted an estimate prepared by F. Emerson Hoar, consulting engineer, of the historical cost new of the properties of Southern Sierras Power Company and also an estimate of the reproduction cost new and reproduction cost depreciated, the latter two being estimates of the properties as of December 31, 1919, based upon prices and conditions during the years 1918 and 1919. The comparative results of these estimates are as follows:

Historical cost new	$8,186,306 00
Reproduction cost new	12,590,979 00
Reproduction cost depreciated	10,961,559 00

These figures include estimates of water rights, development cost, material and supplies and construction work in progress as of December 31, 1919.

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R. M. Vaughan, assistant engineer of the Railroad Commission, reported upon the properties of the company exclusive of water rights and development cost and working cash capital, totalling $6,727,175. A comparison of the two estimates of historical cost new are set forth in Table No. 2, and a general summary of the estimates of reproduction cost new and depreciated by Mr. F. Emerson Hoar in Table No. 3. Analysis of the estimates of historical cost show that Mr. Hoar and Mr. Vaughan are in practical agreement as to the cost of the tangible properties, Mr. Vaughan not estimating the items of water rights and development cost.

TABLE No. 1.

The Southern Sierras Power Company—Balance Sheet, December 31, 1919.

Assets.

Fixed capital	$6,607,566 46
Cash and deposits	59,084 25
Notes receivable	21,981 89
Accounts receivable	859,815 72
Interest and dividends receivable	103 90
Materials and supplies	221,065 07
Sinking funds	151 83
Prepaid expenses	1,138 96
Unamortized discount on securities and expenses:	
Stocks	4,995,350 00
Bonds	423,654 37
Other suspense	14,145 03
Construction work in progress	225,572 61
Total assets	$13,429,630 09

Liabilities.

Capital stock	$5,000,000 00
Funded debt	4,637,000 00
Advances from system corporations	500,000 00
Notes payable	19,000 00
Accounts payable	2,714,922 92
Interest accrued	231 16
Taxes accrued	47,702 94
Reserves invested in sinking fund	90,528 66
Other reserves from income or surplus	110,682 58
Corporate surplus unappropriated	309,561 83
Total liabilities	$13,429,630 09

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TABLE No. 2.

The Southern Sierras Power Company—Electrical Department.

Historical Cost New, December 31, 1919.

Items	Report of F. Emerson Hoar (For applicant)	Report of R. M. Vaughan (For Commission)
Intangible capital:		
C -1 Organization	$27,637 00	$26,673 00
C -2 Franchises	11,028 00	10,594 00
C -4 Other intangible capital:		
Water rights	314,870 00	*
Development cost	896,880 00	*
Total intangible	$1,250,423 00	$37,267 00
Tangible:		
C -5 Lands	$180,790 00	$160,557 00
Production:		
C -6 Dams, water conduits and penstocks	457,684 00	378,752 00
C -7 Power plant building and general structures	117,936 00	99,214 00
C -8 Hydraulic power plant equipment	261,545 00	216,439 00
C -9 Furnaces, boilers and accessories	139,224 00	118,569 00
C-10 Steam power plant equipment	234,214 00	199,467 00
C-12 Gas power plant equipment	12,878 00	11,273 00
C-13 Miscellaneous	13,682 00	16,916 00
Total production	$1,237,163 00	$1,040,630 00
Transmission and distribution:		
C-14 Poles and fixtures	$1,567,449 00	$1,333,667 00
C-15 Overhead system	1,759,838 00	1,500,363 00
C-16 Underground conduits	301 00	263 00
C-17 Substation buildings and general structures	89,955 00	78,618 00
C-18 Substation equipment	978,983 00	878,406 00
C-19 Miscellaneous equipment	18,160 00	15,871 00
C-20 Line transformers and devices	256,146 00	230,534 00
C-21 Electric services	49,160 00	44,244 00
C-22 Electric meters	150,120 00	135,109 00
C-23 Municipal street lights	30,948 00	27,048 00
C-24 and -26 Miscellaneous	2,535 00	----------
Total transmission and distribution	$4,903,595 00	$4,244,123 00
General and miscellaneous:		
C-27 General structures	$52,687 00	$47,294 00
C-28 General equipment	69,622 00	57,231 00
C-29 Telephone lines	27,555 00	24,082 00
C-30 Roads, trestles and bridges	11,231 00	3,283 00
C-31 Undistributed construction expenses	†	758,340 00
C-32 Interest during construction	†	126,711 00
Total general	$161,095 00	$1,016,931 00
Total tangible	$6,482,633 00	$6,462,241 00
Materials and supplies	$227,667 00	$227,667 00
Working cash capital	225,573 00	*
Grand total	$8,186,306 00	$6,727,175 00

*Not estimated.
†Included directly in various accounts.

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TABLE No. 3.

The Southern Sierras Power Company.

Reproduction Cost New and Depreciated, December 31, 1919.

(F. Emerson Hoar.)

Items	Reproduction cost new	Reproduction cost depreciated
C -1 Organization	$119,286 00	$119,286 00
C -2 Franchises	11,028 00	11,028 00
C -4 Water rights	314,775 00	314,775 00
Development cost (partial)	1,078,330 00	1,078,330 00
Total intangible	$1,523,119 00	$1,523,119 00
C -5 Lands devoted to electric operation	224,180 00	224,180 00
C -6-13 Production capital	2,087,382 00	1,759,731 00
C-14-26 Transmission and distribution capital	7,913,309 00	6,732,450 00
C-27-30 General capital	272,936 00	213,440 00
Material and supplies	314,180 00	282,762 00
Construction work in progress	225,573 00	225,573 00
	$12,590,979 00	$10,961,559 00

The assets and liabilities of Holton Power Company, as shown by the general balance sheet as of December 31, 1919, are set forth in Table No. 4.

The control of this company was taken over by the Nevada-California Electric Corporation on January 1, 1916. Since that date advances by the holding company have been made as in the case of the Southern Sierras Power Company, the Holton Power Company not being in a financial position to issue further securities.

Two estimates of historical cost of the properties of Holton Power Company were introduced, one by Mr. F. Emerson Hoar for applicant and one by R. M. Vaughan for the Commission. These two estimates are set forth in Table No. 5. The two estimates are practically identical as far as tangible property is concerned. Mr. Vaughan has not, however, estimated development cost, which has been included by Mr. Hoar at $274,681. A third estimate of historical cost of operative and useful property was submitted by engineers for the protestants of Imperial Valley. This estimate excluded certain costs on the basis that the plants were not fully efficient. The total as reported was $827,141.12 as of December 31, 1919.

An estimate of the reproduction cost new and depreciated was submitted in the case of Holton Power Company as in Sierra Company, and is set forth in Table No. 6, showing a total estimate as of December 31, 1919, of $1,747,522 and $1,472,295 respectively.

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TABLE No. 4.

Holton Power Company—Balance Sheet, December 31, 1919.

Assets.

Fixed capital	$1,534,802 86
Stock of other companies	201,669 30
Cash and deposits	18,283 75
Accounts receivable	134,340 84
Materials and supplies	86,084 41
Prepaid expenses	2,432 76
Unamortized discount on securities and expenses:	
Stocks	200,000 00
Bonds	82,875 00
Securities (adjustment of books)	429,081 96
Construction work in progress	52,743 24
Total assets	$2,742,314 12

Liabilities.

Capital stock	$950,000 00
Funded debt	975,000 00
Notes payable	68,000 00
Accounts payable	526,819 23
Interest accrued	13,443 21
Taxes accrued	10,354 29
Reserves invested in sinking fund	75,000 00
Other reserves from income or surplus	275,552 34
Corporate surplus unappropriated	*152,163 54
Other suspense	308 59
Total liabilities	$2,742,314 12

*Deduct.

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TABLE No. 5.

Holton Power Company—Electric.

Historical Cost, December 31, 1919.

Items	Report of F. Emerson Hoar (For applicant)	Report of R. M. Vaughan (For Commission)
Intangible capital:		
C-1 Organization	$9,400 00	$9,400 00
C-2 Franchises	1,000 00	1,000 00
C-4 Other intangible capital:		
Development cost	274,681 00	*
Total intangible	$284,681 00	$10,400 00
Tangible capital:		
C-5 Lands	$72,018 00	$70,606 00
Production:		
C-6 Dams, water conduits and penstocks		
C-7 Power plant buildings and general structures	59,157 00	50,875 00
C-8 Hydraulic power plant equipment		
C-9 Furnaces, boilers and accessories	14,673 00	12,619 00
C-10 Steam power plant equipment	15,704 00	13,505 00
C-11 Gas producers and accessories	35,343 00	30,394 00
C-12 Gas power plant equipment	71,151 00	61,189 00
C-13 Miscellaneous production equipment		
Total production	$196,028 00	$168,582 00
Transmission and distribution:		
C-14 Poles and fixtures	$98,306 00	$84,542 33
C-15 Overhead system	102,386 00	88,051 18
C-16 Underground conduits		
C-17 Substation buildings and general structures	16,713 00	14,373 00
C-18 Substation equipment	112,748 00	96,963 00
C-19 Miscellaneous equipment	5,538 00	4,763 00
C-20 Line transformers and devices	58,978 00	50,720 57
C-21 Electric services	25,022 00	21,519 02
C-22 Meters	66,753 00	57,407 00
C-23 Municipal street lighting system	36,651 00	31,522 00
C-24-25-26 Miscellaneous		
Total transmission and distribution	$523,098 00	$449,861 10
General and miscellaneous:		
C-27 General structures	$31,351 00	$26,961 80
C-28 General equipment	19,943 00	17,151 63
C-29 Telephone lines	1,498 00	1,288 00
C-30 Roads, trestles and bridges		
C-31 Undistributed construction expense		92,938 15
C-32 Interest during construction		16,547 76
Total general	$52,792 00	$151,886 74
Total tangible	$843,936 00	$843,935 81
Materials and supplies	$87,214 00	$87,213 77
Working cash capital		
Grand total	$1,210,831 00	$941,549 61

*Not estimated.

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TABLE No. 6.

Holton Power Company.

Reproduction Cost New and Depreciated, December 31, 1919.

(F. Emerson Hoar.)

Items	Reproduction cost new	Reproduction cost depreciated
C -1 Organization	$9,494 00	$9,494 00
C -2 Franchises	2,500 00	2,500 00
C -4 Water rights		
Development cost (partial)	225,114 00	225,114 00
Total intangible	$237,114 00	$237,114 00
C -5 Lands devoted to electric operation	72,018 00	72,018 00
C -6-13 Production capital	353,720 00	233,174 00
C-14-26 Transmission and distribution capital	810,764 00	665,933 00
C-27-30 General capital	71,029 00	62,179 00
Materials and supplies	87,214 00	87,214 00
Construction work in progress	114,663 00	114,663 00
Total	$1,746,522 00	$1,472,295 00

Although Nevada-California Power Company has not been made a party to this proceeding directly, it is apparent, as hereinbefore stated that as a large portion of the power distributed by applicant, Sierra Company, is produced in plants leased from Nevada-California Power Company, it is necessary for the Commission to determine the reasonableness of the charges under that lease, especially as the price for power has been increased from time to time during the past, and the properties of Nevada-California Power Company are under the same management as Sierra Company.

Valuations of the properties of Nevada-California Power Company located in California were prepared and submitted by Mr. Hoar for applicants and by Mr. Vaughan for the Commission. The estimates of historical cost submitted by the two engineers are set forth in Table No. 7. Mr. Hoar's estimate of reproduction cost depreciated as of December 31, 1919, of the Nevada company's properties was $15,137,552, which includes water rights estimated at $5,595,118.

In this valuation, as in the others preceding, there is practical agreement as to the physical properties with the exception in this case that Mr. Vaughan has included under the item of "lands" a total estimated historical cost of lands and water rights, not segregating the two.

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TABLE No. 7.

Nevada-California Power Company—Historical Reproduction Cost.

Electric Properties in California Exclusive of Transmission Lines to Nevada. As of December 31, 1919.

	F. Emerson Hoar	R. M. Vaughan
Intangible capital:		
C-1 Organization	$59,509 00	$25,000 00
C-2 Franchises		
C-4 (a) Water rights	1,459,675 00	*
(b) Development	710,609 00	*
Sub total	$2,229,793 00	$25,000 00
Landed capital:		
C-5 Lands and rights-of-way	62,875 00	1,046,144 00
Production capital:		
C-6 Dams, water conduits, etc	2,759,180 00	2,278,932 00
C-7 Power plant buildings, etc	315,647 00	261,211 00
C-8 Hydraulic power plant equipment	853,590 00	706,380 00
C-13 Miscellaneous production equipment	31,266 00	25,874 00
Sub total	$3,959,683 00	$3,272,397 00
Transmission capital:		
C-14 Poles and fixtures	$154,151 00	$132,569 00
C-15 Overhead system	287,994 00	247,673 00
C-17 Substation buildings	12,023 00	10,508 00
C-18 Substation equipment	8,261 00	7,412 00
C-19 Miscellaneous equipment	3,133 00	2,738 00
C-20 Line transformers, etc	664 00	598 00
Sub total	$466,226 00	$401,498 00
General capital:		
C-27 General structures	$668 00	$600 00
C-28 General equipment	30,437 00	77,048 00
C-29 Telephone lines	32,018 00	27,983 00
C-30 Roads, trestles, etc	107,590 00	90,504 00
C-31 Undistributed construction expense		531,886 00
C-32 Interest during construction		104,043 00
Sub total	$170,713 00	$835,064 00
Total tangible	$4,659,497 00	$5,555,103 00
Materials and supplies	49,413 00	
Working cash capital	31,530 00	
Grand total	$6,970,233 00	$5,580,103 00

*Not estimated.

Applicants, through their general presentation and through the testimony of Mr. Hoar, urge that in the determination of reasonable rates the Commission should use the estimated present value of the property as compared with historical cost new.

I am not in accord with the suggestion of applicants that their rates be based upon the estimated reproduction cost depreciated or so-called "present value" of the properties. An electric utility serving under regulation and in a territory free from general competition

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has other and different obligations imposed upon it than those to which a nonpublic utility is subjected. The utility may be required to meet the demands of the territory whether costs are high or low and develop plants when necessary to provide for the needs of the public during periods of high prices as well as of low prices. Although the utility may be reluctant to construct plants during periods of extremely high costs, nevertheless its obligation is such that it can not postpone these developments if required.

If "present values" be regarded as the proper rate base during periods of high prices, it should likewise be so regarded during periods of low prices and rates reduced accordingly. Under present conditions applicants might reap a temporary advantage were this suggestion followed. Applicants, in the past, have depended, and in the future will probably depend, largely upon borrowed moneys for their developments. The present developments made at large costs might readily, under the "present value" basis, shrink in "value" to an amount below that of the bonds outstanding and cause either a period of temporary inability to develop or an actual failure, with the accompanying difficulties and losses. The return allowed a public utility should be placed upon a more certain basis than that suggested. The amount invested in public utility properties, if known, or if not known, the historical cost of the property, should be regarded as the principal element in arriving at a rate base.

I must conclude, therefore, that applicant is entitled to a fair return upon its reasonable historical cost rather than upon its so-called present value. In arriving at this conclusion it is not contemplated that a utility should not be entitled to certain economies where it can be shown that its judgment and foresight have resulted in the same. Should a company develop plants during a period of low prices, when the same were not necessarily needed, and these developments become useful during a later period of high prices, it should be entitled to certain of the benefits of its foresight. On the other hand, allowance for historical investment should not be blindly followed in case a utility has unreasonably delayed in its obligation to the public by failing to develop plants at a time when they should have been developed and later constructing them under conditions of high cost of money and material. In such a case, fairness to the consumers must dictate a lesser compensation to the utility.

In this particular instance Sierra Company and its allied interests have without question exerted all reasonable effort to construct plants so that there would be no shortage of power, and has, during the periods of power shortage in other parts of the state, maintained a

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full supply to its consumers. During the years 1918 and 1919 applicants increased their plant capacity and to that extent have done more in general than other utilities in the state. I believe under the circumstances, however, that compensation for these special activities of the company should be limited to a possible leeway in return rather than upon a finding of increased value.

The estimates of historical cost submitted by Mr. Hoar and Mr. Vaughan are in practical accord with the exception of the estimates of water rights and development cost. Mr. Hoar has used a greater overhead percentage in the case of production capital and a smaller percentage in the case of distribution capital than the general overhead of 16.24 per cent allowed by the latter. The average or total is equal except in the case of Nevada-California Power Company, where the preponderance of production capital has resulted in a greater total overhead. The correctness of the segregation of overhead charges is borne out by numerous analyses of valuations made by the Commission.

The claims to which specific attention will be given are those of estimated development costs and water rights.

The estimates of the historical cost of the water rights reported by Mr. Hoar are as follows:

Nevada-California Power Company	$1,459,675 00
Southern Sierras Power Company	314,870 00
Total	$1,774,545 00

The details of these estimates were submitted after the hearings in accordance with the request of the Commission. The water rights of Nevada-California Power Company as set up by applicants may be divided as follows:

	Estimated Investment
Water rights, Nevada-California Power Company, on Owens River	$332,660 00
Hillside Water Company rights, Bishop Creek, including $447,185 estimated development cost	807,665 00
Water rights, Cain Irrigation Company, on Rush, Levining and Mill Creeks	319,350 00
	$1,459,675 00

An analysis of the evidence and further information requested in accordance with the stipulation shows that the item of water rights, of $332,660 on the Owens River is not in connection with any operative plants, and is therefore not at this time used and useful property in the service of the public. It is apparently the estimated cost of a right to use water of the Owens River, the ownership of this right being at present in dispute before the Supreme Court of the United States in a proceeding between the Nevada-California Power Company

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and the city of Los Angeles. It does not appear to me, therefore, that this right can be included as a part of the investment in operative property chargeable to the present service to Southern Sierras Power Company.

The item of $807,665 is the claimed historical cost of the water rights used in connection with the Bishop Creek plants of Nevada-California Power Company and includes, as above stated, $447,185 estimated deficit of the Hillside Water Company from 1909 to 1919. Hillside Water Company apparently has been operated entirely separate from Nevada-California Power Company, as regards accounting at least, and there was never apparently a definite transfer of the water rights on the basis of the estimates set up as to the value or cost to the Nevada-California Power Company, although the use of the water for power purposes did result in a reduction in the value of the lands which had formerly been irrigated. Had these rights been transferred to the company which was benefiting by them such a deficit as computed would not have occurred in the case of the Hillside Water Company, and further, the question of the addition of a so-called deficit would be dependent upon the earnings of Nevada-California Power Company and not upon those of a company which had been deprived of the use of water vital to its property. It would appear very probable that the Nevada-California Power Company's earnings were such as would not have resulted in the deficit computed. Apparently the books as kept by the various allied companies were not in accordance with the present method of accounting, and what might have been a slightly reduced profit of the Nevada-California Power Company has herein been computed as a large deficit by a company that did not have the use of the rights it claimed. I believe that this claim for development cost or deficit should be excluded.

Applicant shows in its presentation a deduction in the accounts of Hillside Water Company of $150,270 for the rights and lands for power house No. 6, which were sold to Southern Sierras Power Company by Hillside Water Company. No record apparently is available showing the transfer of the rights to plant No. 5 to Nevada-California Power Company or any deduction for the cost. It appears that the costs of the total rights on Bishop Creek, including all purchases to December 31, 1919, and including the value of lands, amounted to $717,989, which includes not only rights to plant No. 6 but also to plant No. 5. If the value of the lands without water be deducted from this price, and also the claimed price of the rights on plants Nos. 5 and 6, totalling $300,540, sold by the Nevada company and the Hillside Water Company to the Southern Sierras Power Company, the balance chargeable to the net cost of water rights of the Nevada-California Power Company would

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be $180,210 in place of the claimed $807,665. No evidence appears to show that the rights to plant No. 5 were ever sold or conveyed to Nevada-California Power Company.

The use of water in plant No. 6 results in taking all of the water away from the irrigation ditches used by the Hillside Water Company, so that the use of water by plant No. 5 could not result in any further diminution of water service. Under the circumstances, it is my conclusion that there should be allowed for water rights of the Southern Sierras Power Company the sum of $160,000, representing the cost to it for plant No. 6 rights, and for water rights on the Bishop Creek allowable to the cost of service of Nevada-California Power Company the sum of $340,000 covering the balance of the original cost to Hillside Water Company.

Applicant's claim of $319,350 for water rights chargeable to the Rush Creek and Jordan plants, purchased by the Cain Irrigation Company, includes the estimated cost of the rights and lands less the value of the arid lands. The present plants do not, as far as Rush Creek is concerned, materially reduce the water supply available to the lands purchased. A part of the lands purchased were irrigated from Levining Creek, on which the company is now constructing a hydroelectric plant. It is apparent, therefore, that applicant has included an amount to cover cost of water rights materially in excess of that properly chargeable to the present operating plants, which do not materially interfere with any existing irrigation rights. I must conclude, therefore, that the amount of the water rights not chargeable to the two operating plants should not be included as a part of the rate base of Nevada-California Power Company.

Although it is not easily determinable to what extent the present operations of the plants reduce the use of water, it would appear that an allowance of $100,000 as the cost of water rights for the Rush Creek and Jordan plants would be fair. When such other plants as are constructed are put in operation the company necessarily should be allowed the cost of the rights applicable to those plants, together with such losses as have occurred due to the holding of these rights from the time of purchase until made useful.

I find, therefore, that the item of water rights to be allowed in the case of the Southern Sierras Power Company should be $160,000, and for the same item for Nevada-California Power Company $440,000.

Nevada-California Power Company, in its estimated historical cost, included an item of estimated development cost of $710,609 chargeable to the Nevada-California Power Company's system in California. Mr. Hoar apparently based this estimate upon his opinion that the cost of

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developing a business equivalent to that of Nevada-California Power Company would be approximately one dollar per dollar of maximum revenue obtained at the end of a five-year development period.

Applicant submitted no records to show that Nevada-California Power Company actually incurred this amount of deficit.

Testimony of Mr. West of the company is that a large amount of the construction work of the Southern Sierras Power Company was financed out of the profits of Nevada-California Power Company and that the Nevada company was apparently in such a financial condition as to make it possible to sell large amounts of securities for the construction of the Southern Sierras system.

Nevada company's system was developed for the service of power to mines and its business reached a maximum in 1913, a period of approximately six years after its inception. It would appear that the business had been profitable and that any development expense incurred was readily amortized, especially in view of the fact that the service supplied was of a nature which would be considered of short life, and early losses, if any, must have been rapidly amortized. It is further to be considered that applicant was faced, in 1912 and 1913, with a possible diminution of its sales in the mining districts and it was necessary for it to find another market or be in a position of having idle investments.

No allowance should be made to Nevada-California Power Company for development cost chargeable to service of the Southern Sierras Power Company based upon the evidence introduced. If the Nevada-California Power Company can, before this Commission, show that it is entitled to an additional allowance for development expense, this will be later considered.

Applicants estimated development cost incurred by the Southern Sierras Power Company, from the start of the company to December 31, 1915, to be $896,887.73. It is urged that the Commission include this sum in the rate base and regard it as fixed capital. This amount, according to the evidence introduced, represents the computed deficit of Sierra Company from the commencement of its operations in 1912 to 1915 below an average return of 6¾ per cent on the average money invested during the period. In arriving at the above figure Sierra Company's revenue and expenses as reported have been adjusted to include revenue for power delivered to Nevada-California Power Company and expense for power purchased from or donated by that company at a price of five mills per kilowatt hour.

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Sierra Company's earnings have been relatively low throughout its entire period of operation from 1912 to 1920. The territory traversed by its lines and in which it has developed its business is largely barren desert except where irrigation has reclaimed the land to fertility. Long distances have been traversed to render service and necessarily earnings at the rates charged have been low. Sierra Company should be allowed a reasonable sum as a development cost to be amortized, such development costs being equivalent to the deficits incurred during the early part of the development period. To allow all deficits below a return of 6¾ per cent, which appears as the approximate cost of moneys invested, would be to guarantee applicant against loss, and, if such is done, the return to be allowed should be based on such reduced hazard.

A computation of the losses of Sierra Company below a 6¾ per cent return from its start to 1919, correcting applicant's estimate of cost of power from Nevada-California Power Company to three mills instead of five mills as assumed, and including other charges, shows that the total deficit to December 31, 1919, has been approximately $930,000. The reasonable development cost which I recommend be amortized out of earnings is the deficit incurred during the first three and one-half years of operation, totalling approximately $700,000.

The deficit in excess of $700,000 will not be allowed. As the period of low return is just passed, it does not appear reasonable to include in the cost of service at this time more than the amount necessary to amortize the sum of $700,000 on a 20-year basis, it being understood that if conditions are more favorable the rate of amortization will be increased. The allowance per annum to be included in the cost of service on this basis will be $66,500.

Claim of development cost by Holton Power Company, based upon historical cost, of $274,681 was submitted as an amount to be included as part of the rate base. This amount was computed by Mr. Hoar on the basis of the computed deficit incurred by Holton Power Company during the first six years of its existence, from 1904 to 1909 inclusive. Mr. Hoar's position regarding any deficit incurred thereafter was that a reasonable development period for this company would have been approximately five years, and if the company did not earn a reasonable return thereafter that such losses should not be included in a permanent rate base, although it is urged that they be amortized in the future.

The evidence of protestants in this proceeding tends to show that Holton Power Company, when it was originally organized, was operated in connection with various other industries or developments in the

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Imperial Valley in connection with the promotion of land sales and other projects. The records of the company submitted by protestants show that in the early history of the company prior to 1916 a number of charges were inserted which are not applicable to utility service, and it is, in my opinion, doubtful whether the books of the company during that period can be given much weight in any determination. The Holton Power Company, according to the annual reports before the Commission and such information as was presented, has continued to operate at a return of less than 7 per cent since its inception. It apparently has not been a paying proposition, at least not one earning a reasonable return, and after practically 15 years of operation still operated at a very low rate of return upon the investment for the year 1919, when a correction for cost of power is made.

The properties of the Holton Power Company were acquired by the interests which controlled the Southern Sierras Power Company as of January 1, 1916, and it might be reasonably assumed that at that time the property should not have been purchased at a price in excess of the historical cost of the physical property which was used and useful. This appears a logical conclusion from a study of the records of the company prior to that time and the prospects that existed at the time of the transfer. The present interests have operated the plant for approximately five years and possibly should be entitled to an amortization of any deficit which has been incurred during that period. Certainly the former owners of the property, who sold the same at the end of 1915, would receive no benefit from return of a deficit which was incurred and which was probably one of the reasons for their disposing of the property. To allow a large development cost either in capital or to be amortized at this time, based upon losses in 1904, would be equivalent to requiring consumers now to pay power bills which should have been paid at that time if they were reasonable.

The cost of money to applicant has been 7 per cent or greater, and this rate would appear a fair rate on which to determine deficit. Computations based upon the operations of Holton Power Company for the period 1916 to 1919 inclusive, show that on the operation of the electric property only, assuming that the statements of the company are correct, the company has failed to earn a return of 7 per cent upon the property in addition to depreciation by an amount of approximately $140,000. Applicant's earnings in 1919, if the cost of power for that year is charged at the original rate plus the surcharge, would show a net return for interest of only 4½ per cent.

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I believe applicant is entitled to a reasonable return upon the historical cost of the physical properties at this time if the same can be obtained without the rates being unreasonable, considering not only the cost of service but also the quality of service rendered its consumers, but it does not appear that its consumers should be required to pay a return upon the deficit above computed or to amortize the same.

Development Cost and Water Right Claims and Allowance.

Items	Applicant claims		Commission allowance (historical cost basis)
	Historical cost	Present value	
Nevada-California Power Company—			
Development cost	$710,609 00	$1,474,217 00	
Water rights	1,459,675 00	5,595,118 00	$140,000 00
Southern Sierras Power Company—			
Development cost	896,888 66	1,078,330 00	700,000 00
Water rights	314,870 00	314,870 00	160,000 00
Holton Power Company—			
Development cost	274,281 00	225,120 00	

Table No. 8 sets forth the historical cost of the production and transmission properties of the Nevada-California Power Company in California, exclusive of transmission lines to Nevada, which are involved in the service of electric energy to the Southern Sierras Power Company, and which will be used herein as the rate base.

The third column therein sets forth the historical cost of the properties included in the certain leases under which the Sierra Company operates the plants of the Nevada company. The total figure of $4,286,926 will be used as the basis for the determination of the reasonable charges for service to Sierra Company.

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TABLE No. 8.

Nevada-California Power Company—Electric Properties in California Chargeable to Service of Southern Sierras Power Company.

Rate Base, 1920.

Items	Total including Plant 4	Chargeable to Plant 4	Chargeable to Sierra Co. under lease
Intangible:			
C-1 Organization	$50,000 00	$9,000 00	$41,000 00
C-2 Franchises			
C-4 Water rights and development	440,000 00	110,000 00	330,000 00
Total intangible	$490,000 00	$119,000 00	$371,000 00
Tangible:			
C-5 Lands and rights of way	$45,000 00	$9,000 00	$36,000 00
Production capital:			
C-6 Dams, water conduits, etc.	$2,759,180 00	$471,498 00	$2,287,682 00
C-7 Power plant buildings, etc.	315,647 00	96,427 00	219,220 00
C-8 Hydraulic power plant eq'pm'nt	853,590 00	183,804 00	669,786 00
C-13 Misc. production equipment	31,266 00	17,666 00	13,600 00
Total production	$3,959,683 00	$769,395 00	$3,190,288 00
Transmission capital:			
C-14 Poles and fixtures	$154,151 00	$25,166 00	$128,985 00
C-15 Overhead system	287,994 00	47,016 00	240,978 00
C-17 Substation buildings	12,023 00	1,963 00	10,060 00
C-18 Substation equipment	8,261 00	1,349 00	6,912 00
C-19 Miscellaneous equipment	3,133 00	511 00	2,622 00
C-20 Line transformer, etc.	664 00	108 00	556 00
Total transmission	$466,226 00	$76,113 00	$390,113 00
General capital:			
C-27 General structures	$668 00	$169 00	$499 00
C-28 General equipment	30,437 00	4,989 00	25,448 00
C-29 Telephone lines	32,018 00	5,227 00	26,791 00
C-30 Roads, trestles, etc.	107,590 00	14,149 00	93,441 00
Total general	$170,713 00	$24,534 00	$146,179 00
Total tangible	$5,131,622 00	$978,042 00	$4,133,580 00
Working cash capital	$15,000 00	$3,000 00	$12,000 00
Materials and supplies	49,413 00	8,067 00	41,346 00
Average additions and betterments, 1920	100,000 00		100,000 00
Total	$164,413 00	$11,067 00	$153,346 00
Grand total	$5,296,035 00	$1,009,109 00	$4,286,926 00

Table No. 9 sets forth the reasonable rate base of the Southern Sierras Power Company for the year 1920. The estimate includes estimated historical cost of water rights chargeable to property, and also includes an estimate of the additions and betterments to the property for 1920. Mr. Hoar, engineer for applicant, included in his estimate for rate base, in addition to the operative properties, the item of approximately $225,000 as average construction work in progress. This amount

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is not allowed, as the construction work in progress is not considered operative, interest during construction being normally capitalized on such amounts.

TABLE No. 9.

The Southern Sierras Company—Electrical Department.

Rate Base, 1920.

	Average capital 1920
Intangible capital:	
C-1 Organization	$27,637 00
C-2 Franchises	10,594 00
C-4 Other intangible capital:	
Water rights	160,000 00
Development cost	
Total intangible	$198,231 00
Tangible:	
C-5 Lands	$180,790 00
Production:	
C-6 Dams, water conduits and penstocks	$457,684 00
C-7 Power plant building and general structures	117,936 00
C-8 Hydraulic power plant equipment	261,545 00
C-9 Furnaces, boilers and accessories	139,224 00
C-10 Steam power plant equipment	234,214 00
C-12 Gas power plant equipment	12,878 00
C-13 Miscellaneous	13,682 00
Total production	$1,237,163 00
Transmission and distribution:	
C-14 Poles and fixtures	$1,567,149 00
C-15 Overhead system	1,759,838 00
C-16 Underground conduits	301 00
C-17 Substation buildings and general structures	89,955 00
C-18 Substation equipment	978,983 00
C-19 Miscellaneous equipment	18,160 00
C-20 Line transformers and devices	256,146 00
C-21 Electric services	49,160 00
C-22 Electric meters	150,120 00
C-23 Municipal street lights	30,936 00
C-24 and 26 Miscellaneous	2,535 00
Total transmission and distribution	$4,903,595 00
General and miscellaneous:	
C-27 General structures	$52,687 00
C-28 General equipment	69,622 00
C-29 Telephone lines	27,555 00
C-30 Roads, trestles and bridges	11,231 00
Total general	$161,095 00
Total tangible	$6,482,643 00
Average additions and betterments, 1920	$500,000 00
Materials and supplies	227,667 00
Working cash capital	210,000 00
Total rate base	$7,618,541 00

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TABLE No. 10.

Holton Power Company—Electric Department.

Rate Base, 1920.

	Average capital 1920
Intangible capital:	
C -1 Organization	$9,400 00
C -2 Franchises	1,000 00
Total intangible	$10,400 00
Tangible capital:	
C -5 Lands	$72,018 00
Production:	
C -6 Dams, water conduits and penstocks	
C -7 Power plant buildings and general structures	$59,157 00
C -8 Hydraulic power plant equipment	
C -9 Furnaces, boilers and accessories	14,673 00
C-10 Steam power plant equipment	15,704 00
C-11 Gas producers and accessories	35,343 00
C-12 Gas power plant equipment	71,151 00
C-13 Miscellaneous production equipment	
Total production	$196,028 00
Transmission and distribution:	
C-14 Poles and fixtures	$98,366 00
C-15 Overhead system	102,386 00
C-16 Underground conduits	
C-17 Substation buildings and general structures	16,713 00
C-18 Substation equipment	112,748 00
C-19 Miscellaneous equipment	5,538 00
C-20 Line transformers and devices	58,978 00
C-21 Electric services	25,022 00
C-22 Meters	66,753 00
C-23 Municipal street lighting system	36,654 00
C-24-25-26 Miscellaneous	
Total transmission and distribution	$523,098 00
General and miscellaneous:	
C-27 General structures	$31,351 00
C-28 General equipment	19,943 00
C-29 Telephone lines	1,498 00
Total general	$52,792 00
Total tangible capital	$843,936 00
Average additions and betterments, 1920	$100,000 00
Materials and supplies	87,214 00
Working cash capital	70,000 00
Grand total	$1,111,550 00

Table No. 10 sets forth the rate base of the Holton Power Company for the year 1920, in general on the same basis of determination as is followed in the Southern Sierras and Nevada-California power companies' cases.

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The total capital chargeable to the electric service rendered by the Southern Sierras Power Company and Holton Power Company for the year 1920 is as follows:

Nevada-California Power Company	$4,286,926 00
The Southern Sierras Power Company	7,618,541 00
Holton Power Company	1,111,550 00
Total	$13,017,017 00

Estimates of the reasonable allowance for depreciation annuity on the systems for the year 1920 presented by Mr. Hoar are as follows (annuity based on 6 per cent sinking fund):

The Southern Sierras Power Company	$169,119 00
Holton Power Company	31,000 00
Total	$200,119 00

No direct estimate of the allowance for depreciation chargeable to the Nevada-California Power Company was submitted although a claim has been later submitted in connection with depreciation and a part of maintenance, amounting to $74,532.

The depreciation annuity determined for 1918 for the combined Sierra and Holton power companies' systems was $150,000. I find that a reasonable depreciation annuity for the various properties for 1920 (6 per cent sinking fund basis) is:

Nevada-California Power Company properties chargeable to Southern Sierras Power Company deliveries	$45,000 00
Southern Sierras Power Company	150,000 00
Holton Power Company	26,000 00
Total	$221,000 00

In addition to the annuity herein allowed, based on 6 per cent sinking fund, which will be included in operating expenses, applicants should set aside from the return allowed interest at 6 per cent per annum on the estimated accrued depreciation. The historical cost depreciated, as estimated by the Commission's engineers, was approximately $1,000,000 less than the historical cost new in the case of the Southern Sierras Power Company, and approximately $170,000 in the case of the Holton Power Company. The accrued depreciation on a 6 per cent sinking fund basis for these two properties would be, on December 31, 1919, less than the above figures, especially in the instance of the Southern Sierras Power Company, where considerable long life equipment exists. A reasonable estimated accrued depreciation reserve as of that date would be approximately $750,000 in the case of the Southern Sierras Power Company and $140,000 in the instance of the Holton Power Company.

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Commencing with October 1, 1920, the Southern Sierras Power Company should set aside in the depreciation reserve, in addition to the annuity herein estimated, $45,000 per year, and Holton Power Company should set aside on the same basis $9,000 per year, plus 6 per cent interest on additions to the reserve fund from December 31, 1919, as they accumulate.

Applicants request that rates be fixed so that the return upon the rate bases will be at least 9 per cent per annum, if the historical cost basis is used, and, in support of this request, set forth the fact that the cost of money to them has been higher than the general cost of money to other electric utilities due to conditions surrounding the rendering of service, and also to the fact that during the past two years there has been a material increase in the cost of moneys, and further, that applicants must continue to borrow, even under the present difficult financial situation, considerable sums of money to finance additional developments and extensions for service.

Applicants are financed primarily through Nevada-California Electric Corporation, the holding company, and Nevada-California Power Company, and to a large extent moneys for development have been obtained by advances from these corporations. Practically no long-term securities have been sold to the public by either of applicants since 1915, although approximately $3,000,000 has been expended during that period in power developments and service extensions. Since 1915, however, $2,150,000 of bonds have been issued by the Southern Sierras Power Company to these companies to refund such advances.

Applicants' development program during the present year contemplates the expenditures of $1,500,000 on the Nevada, Sierra and Holton companies' systems. The financial market at present time is unsteady and the rate of interest required to be paid for loans is materially higher than prior to war conditions. Electric utilities in the state, including applicants, have, for short-term financing, been required to pay from 8 to 10 per cent, and sometimes a greater per cent, for the moneys obtained. In general it may be said that interest rates at present are from 2 per cent to 3 per cent higher than before the war.

In the matter of return, it would appear logical to follow the same historical basis as is followed in the determination of the rate base. On this basis the company would be allowed a return that was considered reasonable on moneys invested prior to the present increased costs, and a higher return commensurate with the cost of money occurring during the existing conditions on such capital as has been invested during this period. The above is based upon the assumption that the companies have passed the development period and would,

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under normal conditions of cost of money and service, have earned a reasonable return.

The average cost of money expended for development of Sierra properties up to and including 1917 was approximately 7 per cent as shown by the evidence herein. The Southern Sierras Power Company issued securities covering $2,390,000 expenditures from 1912 to 1915 inclusive at an average cost of 7.1 per cent and the financing by Nevada-California Electric Corporation during 1915, 1916 and 1917 was at a cost of approximately 7 per cent.

Financing, the larger part of which was for applicants' systems including Nevada-California Power Company, by Nevada-California Electric Corporation during 1918 and 1919 was about half by short-term notes and the remainder by the sale of long-term bonds at an average cost of 8.63 per cent.

It would appear reasonable to assume that a fair return upon prewar basis would be 8 per cent per annum, and, from analysis of the evidence, I would conclude that upon the moneys obtained by applicants and invested in property during 1918 and 1919 and the average for 1920 a fair return would be on the basis of 9½ per cent, this giving the utility a slight margin over the actual cost of the moneys invested.

The records of the Southern Sierras Power Company show an investment in additions and betterments to property during the two and one-half years of approximately $2,000,000, and the records of Holton Power Company show, for the same period, including the estimate for 1920, the sum of $330,000. The average rate of return to be allowed for on the two properties would be 8.4 per cent for the Southern Sierras Power Company and 8.45 per cent for Holton Power Company. The actual additions and betterments during the period in question made by Nevada-California Power Company are not of record. It would appear, however, that a rate of return for this property should be approximately the same.

Nevada-California Power Company, as heretofore stated, leases to the Southern Sierras Company four of its hydroelectric plants under a certain lease agreement which provides that the lessee shall operate the plants and transmission line and do all normal maintenance at its own expense, and, in addition thereto, pay to Nevada Company $53,000 per annum commencing January 1, 1920, for the use of its transmission lines and a rate of five mills per kilowatt hour for all energy produced in said plants and measured at the switchboards of the same.

The charge to be paid by the Sierra Company during 1920, based upon the estimated plant outputs and under the lease agreement, is $596,732. Applicants estimate that the cost, in the form of taxes,

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general expense, depreciation and a portion of the maintenance which will have to be borne by Nevada-California Power Company, will be $142,183, leaving a net for return upon the capital of $454,549. This is equivalent to 10.4 per cent upon the rate base chargeable to this service as set forth in Table No. 8.

From a study of the evidence and analysis of the various charges, a total rental of $500,000 for the use of the plants and transmission lines I find to be a reasonable charge. The return to the Nevada company will be as follows:

Revenue under lease	$500,000 00
Depreciation annuity	45,000 00
Maintenance	29,500 00
General miscellaneous expense, including taxes	60,000 00
Balance for return	370,000 00
Rate	8.44%

Although the holding company is the same for both the Nevada company and the Southern Sierras Power Company and financing of the two properties is carried on in common, yet I strongly recommend that the lease agreement should be modified so that the expense of the Southern Sierras Power Company for rental of plant is made to conform with the conclusions herein.

The growth of applicants' business has been steady and rapid. The prospects of future growth are also good. It is estimated that the increase in business will be at an average rate of approximately 11 per cent, requiring an annual expenditure of approximately $1,800,000.

TABLE No. 11.

Southern Sierras Power Company and Holton Power Company.

Growth of Business.

	1915	1916	1917	1918	1919
So. Sierras Power Co.					
Number of consumers	3,001	3,393	3,847	5,854	6,267
Connected load—k.w.	10,419	15,027	29,950	34,157	40,911
Sales in k.w.h.	17,230,938	41,455,593	54,491,500	72,761,164	84,338,089
Gross revenue	$528,254	$532,573	$750,255	$952,387	$1,133,681
Holton Power Company:					
Number of consumers	2,624	3,172	3,513	3,659	4,214
Connected load—k.w.	6,784	7,110	7,736	8,909	10,611
Sales in k.w.h.	6,391,124	5,932,875	10,120,400	10,317,083	13,685,506
Gross revenue	$225,113	$261,510	$338,845	$352,956	$499,180
Totals:					
Number of consumers	5,628	6,565	7,360	9,513	10,481
Connected load—k.w.	10,419	15,027	29,950	34,157	40,911
Sales in k.w.h.	17,681,398	39,304,398	53,230,000	70,082,372	81,665,105
Gross revenue	$753,367	$794,083	$1,089,100	$1,305,343	$1,632,861

Statement of sales excludes sales to Southern California Edison Company of surplus power but includes, in the case of Southern Sierras Power Company, the sales to Holton Power Company.

Statement includes operations to 1917 of: (1) Corona Gas and Electric Light Company; (2) Bishop Light and Power Company; (3) Rialto Light, Power and Water Company; (4) Coachella Valley Ice and Electric Company.

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Table No. 11 sets forth the operating statistics of applicants for the years 1915 to 1919 inclusive, showing the growth of applicants' business both as to number of consumers, sales and revenue.

TABLE No. 12.

Southern Sierras Power Company and Holton Power Company.

Sales and Revenue, 1919.

	Number of consumers	Sales in K. W. H.	Revenue
Southern Sierras Power Company:			
Residence and commercial lighting	4,975	1,655,085	$136,994 00
Municipal lighting	11	143,111	14,488 00
Heating and cooking	242	296,460	11,882 00
Light and power—Blythe	229	82,007	10,547 00
General industrial power	321	30,270,719	467,804 00
Mining power	18	1,359,962	33,087 00
Agricultural power	590	21,586,632	364,906 00
Municipal power	4	1,796,681	22,474 00
Resale power	4	3,854,952	68,154 00
Nevada-California Power Company	1	6,933,990	44,004 00
Holton Power Company	1	17,358,490	260,377 00
Southern California Edison Company	1	19,767,170	144,535 00
Total	6,397	105,105,269	$1,579,162 00
Holton Power Company:			
Residence and commercial lighting	3,891	1,907,134	$190,268 00
Municipal lighting	8	196,962	13,868 00
Heating and cooking	126	190,098	8,843 00
General industrial power	251	10,267,862	251,482 00
Municipal power	5	445,930	10,916 00
Resale power	1	677,580	14,802 00
Total	4,280	13,685,506	$499,179 00
Total both systems excluding intercompany business	10,677	101,432,285	$1,817,965 00

Table No. 12 sets forth the number of consumers, sales and revenue for the two companies for the year 1919 segregated between the various classes of service.

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TABLE No. 13.

Southern Sierras Power Company and Holton Power Company.

Operating Revenues, 1920 (Applicants' Estimate.)

	Southern Sierras Power Company	Holton Power Company	Total
Municipal light and power	$53,000 00	$28,685 00	$81,685 00
Residence and commercial light and cooking	166,500 00	253,400 00	419,900 00
Commercial power	930,800 00	313,100 00	1,243,900 00
Resale power:			
Holton Power Company	294,200 00		294,200 00
Nevada-California Power Company	72,000 00		72,000 00
Southern California Edison Company	495,600 00		495,600 00
Miscellaneous	70,000 00	18,000 00	88,000 00
Total	$931,800 00	$18,000 00	$949,800 00
Total direct revenue	$2,082,100 00	$613,185 00	$2,695,285 00
Miscellaneous revenue	5,000 00	4,500 00	9,500 00
Total operating revenue	$2,087,000 00	$617,685 00	$2,704,785 00
Excluding Southern California Edison Company	$1,591,100 00	$617,685 00	$2,209,085 00

NOTE.—Holton Power Company included in Southern Sierras Power Company revenue.

Table No. 13 sets forth applicants' estimate of revenue for the year 1920. At the time of the first hearing in this proceeding applicant estimated that it would sell 30,000,000 kilowatt hours of steam produced power to Southern California Edison Company. As the hearings proceeded it appeared that, due to change in conditions, Southern California Edison Company would not require the 30,000,000 kilowatt hours estimated, and applicants' estimate of revenue should be modified in this respect. At the last hearing it was estimated Edison company would take 10,000,000 kilowatt hours during the year 1920, and, under the operating arrangement between the two parties, a slight profit might be expected from the sale of this power. This sale of surplus power is limited primarily to the year 1920 in view of the fact that Southern California Edison Company's steam plants can produce power at a less cost to Edison company than the necessary purchase price of applicants.

In a proceeding in which it is attempted to fix rates of a more or less permanent nature it appears that such rates should be based as near as possible upon average conditions rather than conditions which were below or above average. Were applicants' cost of service based upon conditions of short hydroelectric supply an unreasonably high return would result during periods of wet years, and the reverse would be true in case rates were based upon years of abundant water-power supply.

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The estimates of revenue and expense on which the determination of reasonable rates are herein computed are based upon the condition which would exist on a year of average precipitation. Under such conditions it does not appear that Southern California Edison Company will be in need of any material amount of steam power from applicants. Applicants may have some surplus hydropower which can be delivered at a profit. It appears reasonable, therefore, that in arriving at the estimate of revenue and expense of applicants in connection with this rate proceeding the possible sales of steam power to Southern California Edison Company be excluded.

TABLE No. 14.

Southern Sierras Power Company and Holton Power Company, 1920.

Estimated Sales and Revenue Under Present Rates (Average Year Conditions).

	Sales kilowatt hours	Revenue
Southern Sierras Power Company:		
Residence and commercial lighting	1,887,780	$155,700 00
Municipal lighting	185,790	18,750 00
Heating and cooking	386,756	15,150 00
Lighting and power—Blythe	120,000	15,500 00
General industrial power	33,000,000	510,000 00
Mining power	1,500,000	36,450 00
Agricultural power	24,000,000	406,000 00
Municipal power	2,000,000	25,000 00
Resale power	4,148,480	74,000 00
Nevada-California Power Company	11,000,000	72,000 00
Holton Power Company	18,085,500	317,170 00
Southern California Edison Company	Surplus	50,000 00
Total	96,314,306	$1,696,020 00
Holton Power Company:		
Residence and commercial lighting	2,479,016	$258,000 00
Municipal lighting	176,618	12,400 00
Heating and cooking	339,162	15,800 00
General industrial power	11,860,866	290,500 00
Municipal power	599,160	14,650 00
Resale power	1,060,441	27,200 00
Total	16,515,293	$618,550 00
Total including inter-company transactions	112,829,599	$2,314,570 00
Total excluding inter-company transactions	94,744,099	$1,997,400 00

In Table No. 14 are set forth the conclusions, based upon the evidence herein presented, of the probable sales of electric energy and the revenue under present rates for both Southern Sierras and Holton power companies. Sales for agricultural power have been increased over applicants' estimate owing to the fact that the sales during 1920 are less than the average as a result of the late rains in the district served.

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Modifications of applicants' estimate of sales for the year 1920, based upon records of the company for the first six months of the year and analysis of the evidence, have been made in connection with other classes of service.

The revenue to Southern Sierras Power Company from sale of energy to Holton Power Company has been based upon a rate of 1.7 cents per kilowatt hour to conform to the original rate plus the two mill surcharge authorized in 1918 by Decision No. 6013, which was applied to resale energy with the exception of Holton Power Company.

Applicants have estimated the hydroelectric plant output based upon the estimated conditions for 1920, which is admittedly a year when the water supply is below the normal or average conditions as regards water supply for power plant operation.

TABLE No. 15.

Plants Used In Service of Southern Sierras Power Company and Holton Power Company.

Plant Capacity and Output 1919 and 1920.

Plant	Type	Capacity kilovolt amperes	Output in thousands of kilowatt hours	
			1919	Average Year
Nevada-California Power Company--Leased plants:				†
Bishop Creek No. 2	hydro	6,750	31,492.1	35,000
Bishop Creek No. 3	hydro	6,750	33,943.5	35,000
Rush Creek	hydro	10,000	49,552.4	53,000
Jordan or Mill Creek	hydro	3,000	60.6*	12,000
Total		26,500	115,048.6	135,000
Southern Sierras Power Company plants:				
Bishop Creek No. 5	hydro	3,375	13,051.80	15,000
Bishop Creek No. 6	hydro	2,000	9,845.10	10,500
San Bernardino	steam	11,250	4,317.70	1,500
Blythe	deisel	65	113.53	120
Total		16,690	27,328.13	27,120
Holton Power Company plants:				
El Centro No. 2	steam	350	12.50	----------
El Centro No. 4	gas	750	14.72	----------
Total		1,100	27.22	27
Total		44,290	142,403.95	162,147

*One month operation.
†Available output of hydro plants if required.

Table No. 15 sets forth the capacity of the various plants used in connection with the service of applicants' consumers, the output during 1919 and the estimated kilowatt-hour output available from the separate plants during a year of average water conditions.

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TABLE No. 16.

Southern Sierras Power Company and Holton Power Company.

Estimated Power Plant Output Required, 1920 (Average Year Basis).

Kilowatt-hour sales:		
Southern Sierras Power Company excluding Holton Power Company		78,228,806
Holton Power Company sales		16,515,293
		94,744,099
Plant output required		132,700,000
Auxiliary and standby plant output:		
Blythe plant	120,000	
Holton Power Company plants	27,000	
San Bernardino steam plants	1,500,000	1,647,000
		131,053,000
Southern Sierras Power Company Plants Nos. 5 and 6		25,500,000
Required from leased plants		105,553,000
Available from leased plants		135,000,000
Total probable surplus (kilowatt hour)		29,447,000

Table No. 16 sets forth the kilowatt hour sales and the plant output required for an average year, together with the estimated steam plant output and power required from leased plants. It will be noted therein that with average conditions applied to the amount of business existing in 1920 there will be a surplus of hydroelectric power during the year of approximately 25,000,000 kilowatt hours at power plant switchboard. A part of this surplus can without doubt be sold by applicants to Southern California Edison Company although it can not be expected that the entire amount estimated will be so delivered. The revenue from this surplus hydro power is problematic. A diversity in the period of maximum hydro output occurs between the Southern Sierras Power Company's plants and Southern California Edison Company's plants, which should make possible the disposition of a large part thereof. The inclusion of at least $50,000 as revenue from this source is justified.

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TABLE No. 17.

Southern Sierras Power Company and Holton Power Company.

Operating Expenses, 1920 (Applicants' Estimate).

	Southern Sierras Power Company	Holton Power Company	Total
Production:			
Operations other than purchased power and oil	$89,261 00	$5,140 00	$94,401 00
Purchased power	550,000 00	294,200 00	844,200 00
Oil for steam	429,404 00	1,043 00	430,447 00
Maintenance	35,989 00	16,415 00	52,404 00
Total	$1,104,654 00	$316,798 00	$1,421,452 00
Transmission:			
Operation	$40,660 00		$40,660 00
Maintenance	22,009 00		22,009 00
Total	$62,669 00		$62,669 00
Distribution:			
Operation	$41,123 00	$28,874 00	$69,997 00
Maintenance	27,689 00	13,522 00	41,211 00
Total	$68,812 00	$42,396 00	$111,208 00
Commercial	$66,542 00	$34,088 00	$100,630 00
General and miscellaneous:			
Operation	$100,052 00	$39,045 00	$139,097 00
Maintenance	3,451 00	1,872 00	5,323 00
Total	$103,503 00	$40,917 00	$144,420 00
Taxes	$91,169 00	$34,590 00	$125,759 00
Total excluding depreciation	$1,497,349 00	$468,789 00	$1,966,138 00

Table No. 17 sets forth applicants' estimate of expenses of both the Southern Sierras and Holton companies for the year 1920. In these estimates are included the amount of $550,000, being the purchase price for power under the lease agreement with Nevada-California Power Company, and an estimate of the cost of power plant operation to supply 30,000,000 kilowatt hours to Southern California Edison Company. Correction in these estimates will be made to take care of the reasonable rental charge heretofore determined for the leased properties, and also to exclude from the cost of production the estimated cost of the production of power to be delivered to Southern California Edison Company.

Since the submission of this case applicant has filed a statement with the Commission showing that it has found it necessary to increase its payroll both on the Southern Sierras and Holton systems due to the steadily increased cost of living and in order to hold its employees and pay them a reasonable wage. The amount of the increase, amounting to $53,500 on the Southern Sierras system and $10,900 on the Holton system, should be allowed in addition to the estimated expenses previously submitted.

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Other corrections have been made in the estimated operating expenses of both the Sierra and Holton systems in accordance with the evidence presented. The price of oil used in the production of power has been increased in view of the further increase in oil price and estimated increase in freight cost of oil effective. Sierra Company is required to pay 2 per cent of its gross revenue as county and municipal franchise tax. This tax has not been in full effect in its entire territory up until 1920. This results in an additional burden to be placed on its consumers.

Evidence was presented by the cities of Imperial Valley relative to the operation of the local plants of Holton Power Company, urging possible savings by the continued operation of the gas-electric plant or possibly the installation of a Deisel engine or steam plant in the valley. The evidence shows the gas-electric plant not capable of continuous operation. Protestants' engineers admitted that the installation of a steam plant was a very doubtful benefit in reduction of cost. The Deisel engine plant is not possible from a financial standpoint.

TABLE No. 18.

Southern Sierras Power Company and Holton Power Company.

Revised Estimate of Operating Expenses, 1290 (Average Year Conditions).

	Southern Sierras Power Company	Holton Power Company	Total
Production expense:			
Operations other than purchased energy and oil	$85,960 00	$3,500 00	$89,460 00
Maintenance	26,800 00	16,400 00	43,200 00
Purchased energy	500,000 00	317,170 00	817,170 00
Oil	56,500 00	3,000 00	59,500 00
Total	$669,260 00	$340,070 00	$1,009,330 00
Transmission expense:			
Operation	$40,660 00		$40,660 00
Maintenance	22,000 00		22,000 00
Total	$62,660 00		$62,660 00
Distribution expense:			
Operation	$41,100 00	$28,900 00	$70,000 00
Maintenance	27,700 00	13,500 00	41,200 00
Total	$68,800 00	$42,400 00	$111,200 00
Commercial	$66,540 00	$34,090 00	$100,630 00
General:			
Operation	$98,500 00	$38,000 00	$136,500 00
Maintenance	3,450 00	2,000 00	5,450 00
Total	$101,950 00	$40,000 00	$141,950 00
Taxes	$95,000 00	$34,600 00	$129,600 00
Increases—Salaries and wages	$53,500 00	$10,900 00	$64,400 00
Uncollectible bills	$2,000 00	$1,000 00	$3,000 00
Grand total	$1,119,710 00	$503,060 00	$1,622,770 00

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Table No. 18 sets forth conclusions, based upon the evidence herein, as to the operating expenses of applicants' systems for the year 1920, assuming an average condition.

TABLE No. 19.

The Southern Sierras Power Company and Holton Power Company.

Summary Cost of Service (Average Year).

	Southern Sierras Power Company	Holton Power Company	Combined system
Average capital or rate base	$7,618,541 00	$1,111,550 00	$8,730,091 00
Gross operating revenue	1,696,020 00	618,550 00	2,314,570 00
Gross operating expense:			
Production	$669,260 00	$340,070 00	$1,009,330 00
Transmission	62,660 00		62,660 00
Distribution	68,800 00	42,400 00	111,200 00
Commercial	66,540 00	34,100 00	100,640 00
General	101,950 00	40,000 00	141,950 00
Salary and wage increase	53,500 00	10,900 00	64,400 00
Taxes	116,700 00	34,600 00	151,300 00
Uncollectible bills	2,000 00	1,000 000	3,000 00
Total	$1,141,410 00	$503,070 00	$1,644,480 00
Net operating revenue	$554,610 00	$115,480 00	$670,090 00
Depreciation	150,000 00	26,000 00	176,000 00
Net return	404,610 00	89,480 00	494,090 00
Amortization of development cost	66,500 00		66,500 00
	338,110 00		427,590 00
Per cent return	4.45	8.0	4.9
Reasonable return at 8.4%	$639,957 00	$93,370 00	$733,327 00
Deficit below 8.4%	301,847 00	3,890 00	305,737 00
Increased for taxes	325,400 00	4,130 00	329,530 00
Increase from public in per cent	19.2%	10.4%*	16.5%

*Based on increase of cost of power from the Southern Sierras Power Company by 19.2%.

Table No. 19 sets forth the summary of the rate base for the two properties, the estimated gross revenue under present rates, operating expenses, depreciation and net return. It is to be noted therein that Sierra Company's earnings below an 8.4 per cent return upon the rate base herein found to be reasonable are equivalent to approximately a 19 per cent increase over present rates. On the Holton Power Company's system the percentage increase is relatively small, while the average increase over the entire system is approximately 16 per cent.

The cost of power of the Holton Power Company has been assumed as 1.7 cents per kilowatt hour. In case this rate under normal conditions was fairly correct it is apparent that if an average increase of 19 per cent is necessary upon the Sierra system that this increase

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will be reflected in the cost of service of Holton Power Company and necessitate an increase equivalent to the percentage set forth therein. At this point it is well to note that although there will be future conditions which may cause a relative reduction in the cost of service, the continued investment of large amounts of money on the basis of present high costs of material and labor must tend to offset this condition and possibly result in a still further increased cost of power delivered to applicants' consumers in the future. The cost of construction of plants has practically doubled since the commencement of the war period in 1917, and, in addition, the present cost of new money is approximately one-third in excess of that formerly effective. As long as these conditions continue it is apparent that the annual cost of serving new business has been increased practically two and one-half times what it would have been had conditions continued as they were in 1915 and 1916.

The present rates of the Southern Sierras Power Company consist of some 29 schedules covering the various classes of service, certain special contracts and the authorized surcharges which were made effective by Decision No. 6013 in Application No. 3910 (Opinions and Orders of the Railroad Commission of the State of California, Vol 16, page 331). The schedule rates to a considerable extent are the outgrowth of rates in effect on properties consolidated with the Southern Sierras Company and also the result of the ideas of the commercial department of the company as to schedules necessary to meet conditions existing in connection with the development of business. To a certain extent there has been a differentiation in the schedules between the district north of the San Bernardino Mountains, that territory in San Bernardino and Riverside counties adjacent to San Bernardino and Riverside, competitive rates within the city of San Bernardino, the Coachella Valley and the town of Blythe.

The Holton Power Company's schedules in general date back to the early history of the company and are based to a considerable extent on no very accurate study of the conditions.

Applicants' business is growing quite rapidly and it is important at this time that the rates charged be based upon a careful consideration of the cost of service and such other factors, including the value of service and special conditions affecting the rates, in order that in the future rate schedules may be effective which will not result in an unnecessary increase in cost to, or burden on, consumers.

Applicants have urged that the two systems be considered combined in the determination of rates. This request appears reasonable provided, in considering the properties combined, an allocation of costs is so made that the Holton system bears, in so far as possible, its

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proportion of the total cost of service, and, in case the value of the service is not sufficient to make such possible, that the difference is not placed upon the consumers of Southern Sierras Power Company.

The cities of Rialto and Bishop have urged that separate rates be fixed for them as compared with other parts of applicants' system, alleging that a very low cost of service occurs in those communities as compared with other districts. If the request of these cities was followed out, it would necessarily lead to the fixing of a large number of individual rates, each applicable to a small community or district. This would stifle development, prevent an extension of business, and result ultimately in higher rates in these cities and similar communities than would exist under the basis herein followed.

As systems are extended or consolidated and a large territory becomes dependent upon a given utility's system for service the general result is that the average cost of rendering the service required is reduced and one district is benefited by the interconnection with another. Under these conditions it is practically impossible to directly allocate and determine what the actual cost of service in a given community is. It is practically impossible to so design schedules of rates that in each individual instance, or even possibly in cases of small communities, the rate of return on the investment so allocated will not be greater or less than in some other district based upon an arbitrary division of certain costs.

In this instance the schedules should be in general the same for certain extended districts and not separate rates fixed for individual communities except in the case of the city of San Bernardino, where, due to extended competition with the Southern California Edison Company, it is practically necessary that the two schedules of rates be the same.

A logical districting of the company as regards rates for lighting service would be to divide the system of Southern Sierras Power Company into five districts as follows:

(1) The territory north of the San Bernardino Mountains.

(2) The territory south of the San Bernardino Mountains excluding Coachella Valley and the city of San Bernardino.

(3) Coachella Valley.

(4) City of San Bernardino.

(5) City of Blythe.

Power service should, it appears, be charged the same general schedule of rates over the entire Southern Sierras system exclusive of wholesale power at Yuma, sales to the Holton Power Company, Nevada-California Power Company and service in the city of Blythe.

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The rates of the Holton Power Company must be based upon the costs and other conditions affecting the determination of rates as they exist in the Imperial Valley.

In concluding that the rates for power service should in general be uniform over the entire Sierra system it must be borne in mind that certain districts are still in the development stage while others have been more fully developed. It would not be beneficial even to the developed districts to so increase the rates in other territory that a stifling of development occurs. The rates herein fixed will necessarily differ considerably from the schedules heretofore in effect, and, as a result, certain consumers, who, due to the form of the previous schedules, were receiving service at relatively too low a rate, will be required to pay a greater increase than the average, and, on the other hand, other consumers will, due to their more extensive and higher load factor operations and the relatively higher rates previously paid, be increased a lesser amount or possibly have a slight reduction in their charges. Modification in operations on the part of consumers whose method of operation has tended to increase the cost in the past will make possible a reduction in the resultant increases effective based on previous operations.

It is apparent that applicants should be granted relief without delay, and I recommend that, effective for all meter readings taken on and after September 20, 1920, the Southern Sierras Power Company be authorized to charge and collect the lighting and cooking rates herein determined to be just and reasonable. In the case of the power consumers, the schedules as herein fixed are of such considerable change from the schedules formerly in effect that it appears reasonable not to make the schedules effective directly until the consumers have had at least one month's notice of the modifications. The rates for power service should, however, be increased during the interim and I recommend, therefore, that the Southern Sierras Power Company be authorized to increase its charges for power service based upon all regular meter readings taken on and after September 20 and prior to November 1, 1920, by an increase of 20 per cent, to be added to the present charges based upon existing rates and surcharge; that the rates herein set forth in the order be made effective for all meter readings taken on and after November 1, 1920.

As regards the Holton Power Company, I find it to be just and reasonable to require the consumers of that company to pay the lighting and cooking rates as herein set forth commencing with all meter readings taken on and after September 20, 1920, and pay an increase in power rates of 15 per cent commencing with meter readings taken on and after September 20 and continuing to and including October 31,

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1920, and that charges for power service thereafter be based upon the schedules herein authorized.

The cost of service to the Holton Power Company, and therefore to its consumers, is necessarily considerably higher than on the Southern Sierras system owing to the long transmission line required in transmitting the power to Imperial Valley and the additional cost resulting therefrom. The rate herein fixed for service to the Holton Power Company is based upon consideration of the above matters.

The charge proposed to be made to Nevada-California Power Company under the lease agreement contemplates a rate of 6½ mills for hydroelectric power and 9 mills for steam power. The service required by Nevada-California Power Company is largely auxiliary service, and although the lease specifies no obligation on the part of the Southern Sierras Company to supply power in case its own system demands it, it is apparent that, due to the joint interests, the Sierra Company will exert all reasonable effort to render the service and will expend money to guarantee power on the Nevada system. The power supplied under this lease will be at a low load factor, more in the nature of standby and peak power service, the cost of which is not really measurable on the basis of kilowatt hours delivered but rather upon the demand supplied. No accurate method of measuring is at present installed to determine these sales. Sierra Company should, without delay, install such measuring device at its control substation and Jordan plant as will determine the power delivered to Nevada-California Power Company both as to kilowatt hours and kilowatts. Pending such determination and further analysis of the matter, Sierra Company should charge Nevada-California Power Company one cent per kilowatt hour for all energy delivered.

Applicants' consumers in Coachella Valley protested further increase in rates on the ground that the consumers could not afford to pay an additional price for the power. Certain of the consumers were willing to withdraw their protests provided they might be freed from their contractual obligations to take service in case they would benefit by installing other forms of power.

The question of the value of service is, of course, a limiting feature in the matter of rates. The evidence is not conclusive, however, that the rates as they now exist or as they may have to be increased will exceed the value of service, and it does not appear that the evidence is such as to justify the conclusion that no increase should be granted in this district. Applicants can not expect, however, to require their consumers to continue to take service, if, in individual instances, the service can not compete with other forms of power. I would recommend that where consumers find that other forms of power are more economical, that Sierra Company waive any contractual rights.

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Special complaint was made regarding the quality of service rendered in the Imperial Valley, and, at the request of representatives of that district, a special hearing was held at El Centro for the purpose of giving the people there an opportunity to present complaints regarding the service of Holton Power Company. A large amount of evidence was presented by various protestants at this hearing covering the matter of interruptions to service, poor street lighting service and difficulty of obtaining satisfactory extensions when applied for. The California Central Creameries, operating a large creamery at El Centro, submitted an exhibit setting forth interruptions to service during the period from January 1, 1919, to May 31, 1920, showing that 168 service interruptions occurred which resulted in a total shutdown of the plants. The duration of these interruptions was from half a minute to approximately five hours, the majority of the interruptions, however, being from five minutes to one hour. The applicants submitted an exhibit, which also showed a large number of interruptions during the year and a half under consideration. The conditions during that period were, however, somewhat better than prior to January 1, 1919. The result of the shutdowns to the California Central Creameries is not only a loss in time occurring during the period of the shutdown but also in certain instances a loss of the product which was being handled at the time of the service interruption.

Holton Company has installed in the city of El Centro two standby plants, a gas-electric plant of approximately 750 kilowatts capacity and a steam-electric plant of 250 kilowatts capacity. For economic reasons these two plants are not kept in constant operation but are operated when a shutdown is had to work upon main transmission lines or after failure of service has occurred. Due to the type of plants and the method of operation, local service to the extent of the plant capacity can not be rendered upon interruption due to failure of lines for from 20 to 30 minutes after the interruption occurs. As a result these plants are of little value to prevent shutdowns of shorter periods. Outside of these two auxiliary standby plants Holton Power Company is entirely dependent upon the service of Southern Sierras Power Company from its 150-mile transmission line extending from San Bernardino to El Centro, and, necessarily, with such a long line across a desert country, interruptions of service must occur. The load on Holton Company's system is approximately 4500 kilowatts.

Conditions in Imperial Valley are not such as to make economical the continuous operation of steam-electric plants. The evidence shows that to install sufficient capacity, either in an additional transmission line or standby plant, to fully supply the load requirements in case of

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transmission line interruptions would require an investment in excess of $500,000. With the exception of lighting service and certain special power requirements it is hardly probable that the need of continuous service is sufficient to justify additional cost to the company, and necessarily increased rates to the consumers, to guarantee against a reasonable number of interruptions. For economic reasons, large consumers requiring continuous service must, until the growth of load justifies it, install their own standby.

The present standby plants are not, as above stated, of such a character as to materially benefit the service except for interruptions of over 30 minutes. The service in the valley is continually growing and it is apparent that applicant should take definite steps at this time toward bettering the quality of service being rendered even if this requires considerable investment on their part. Either a standby plant sufficient to carry the essential loads, which can be put in operation at a shorter notice than the present plants, should be planned, or an additional source of power should be arranged for. Applicants owe an obligation to their consumers in Imperial Valley to take steps to this end and it will be expected of applicants that they present to the Commission not later than January 1, 1921, a practical plan of improving the service.

Protestants urge that owing to the quality of service, the rates of Holton Power Company should not be increased. If the failure to supply better service was largely due to inexcusable delay on the part of the company, or were the conditions surrounding the rendering of improved service such that the company should have done materially more than it has, protestants' suggestion would be correct. The conditions surrounding the service, however, in Imperial Valley are such that the applicants can not be greatly criticised for the quality of service rendered up to the present time, as there is a serious doubt whether the service could stand the additional cost necessary. To refuse an increase in rates at this time would in all probability result in even worse conditions of service than at present owing to the inability of applicants to obtain moneys to improve service conditions.

Relative to the complaint regarding inability to obtain extensions for service, applicant has on file, in its rules and regulations, definite rules regarding the making of all extensions throughout the territory which it serves. The rule regarding the making of power extensions depends upon the ratio of the annual revenue to be derived from the extension to the total cost of the same. This rule, before filing, was given careful consideration by the Commission and it does not appear that a modification of the rule is justified at the present time due to financial difficulties existing, with the exception that, pending final decision of the Commission, Holton Power Company and Southern

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Sierras Power Company should make all extensions without charge to applicant for lighting service where the cost of the same does not exceed $80 per consumer.

The demand for power developments to meet the growth of business on the company's system is taxing applicants to the full extent of their ability to cover the cost of power plant construction and general transmission and distribution additions. Under the circumstances, it is reasonable for them to call upon applicants desiring service to assist them by the advance of moneys, it being understood, of course, that where the entire cost of an extension is advanced the company will pay interest thereon in cases where the company will make the extension without advance were money available.

Data were submitted also by protestants to the effect that street lighting service rendered in certain of the towns was unsatisfactory due particularly to low voltage. As regards this matter, the evidence shows that the Holton Power Company has expended considerable sums of money in reinforcing its lines and that in general these unsatisfactory conditions have been removed. The expenditure for service improvement during the past year has been in excess of $50,000.

The rates set forth in the order herein, which are found to be just and reasonable, are so designed as to return to applicants sufficient additional revenue to net applicants the return of 8.4 per cent as set forth in this opinion, based upon the evidence presented in this case and upon the basis of an average condition of operation.

I recommend the following form of order:

ORDER.

The Southern Sierras Power Company and Holton Power Company having applied jointly for a revision of their rates for electric service, hearings having been held and the matter being submitted and now ready for decision:

The Railroad Commission hereby finds as a fact that the rates and charges for electric service now in effect are unjust and unreasonable rates and charges and that the rates and charges herein set forth are just and reasonable rates and charges for the service rendered by the Southern Sierras Power Company and Holton Power Company. The Commission further finds as a fact that the Southern Sierras Power Company and Holton Power Company should set aside in depreciation reserve the amounts herein set forth.

Basing its order on the foregoing finding of fact and on the findings of fact contained in the opinion which precedes this order;

It is hereby ordered, that the Southern Sierras Power Company be and the same is hereby authorized to charge and collect for electric service rendered, based on all regular meter readings taken on and

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after the twentieth day of September, 1920, for the service for the territory as therein designated, schedules L-1, L-2, L-3, L-4, L-5 and L-6 and schedules C-1 and C-2, as set forth in appendix "A," attached hereto and made a part of this order.

It is hereby further ordered, that the Southern Sierras Power Company be and the same is hereby authorized to charge and collect for electric service for general power and agricultural purposes and resale service exclusive of service to Nevada-California Power Company and Holton Power Company, based on all regular meter readings taken on and after the twentieth day of September, 1920, and prior to the first day of November, 1920, the present rates and surcharge heretofore authorized in Decision No. 6013 plus an addition of 20 per cent of the sum thereof.

It is hereby further ordered, that the Southern Sierras Power Company be and the same is hereby authorized to charge and collect for electric service rendered to Nevada-California Power Company and Holton Power Company, based upon all regular meter readings taken on and after the twentieth day of September, 1920, schedules P-8 and P-9, as set forth in appendix "B," attached hereto and made a part of this order.

It is hereby further ordered, that the Southern Sierras Power Company be and the same is hereby authorized to charge and collect for electric service rendered for general power and agricultural purposes and resale service, based upon all regular meter readings taken on and after November 1, 1920, schedules P-1, P-2, P-3, P-4, P-5, P-6 and P-7, as set forth in appendix "C," attached hereto and made a part of this order.

It is hereby further ordered, that the Holton Power Company be and the same is hereby authorized to charge and collect for all electric service rendered, based upon all regular meter readings taken on and after the twentieth day of September, 1920, for general power and resale service, and prior to the first day of November, 1920, the present rates and surcharges heretofore authorized in Decision No. 6013 plus an addition of 15 per cent of the sum thereof.

It is hereby further ordered, that Holton Power Company be and the same is hereby authorized to charge and collect for electric service rendered, based on all regular meter readings taken on and after the first day of November, 1920, for the service therein designated, schedules P-1, P-2 and P-3, as set forth in appendix "E," attached hereto and made a part of this order.

It is hereby further ordered, that Holton Power Company be and the same is hereby authorized to charge and collect for electric service rendered, based on all regular meter readings taken on and after the twentieth day of September, 1920, for the service therein designated,

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schedules L-1, L-2, and schedule C-1, as set forth in appendix "D," attached hereto and made a part of this order.

It is hereby further ordered, that the Southern Sierras Power Company submit to this Commission, prior to January 1, 1921, a complete and definite plan for the improvement of service in Imperial Valley adequate to meet the future needs thereof.

The Southern Sierras Power Company is hereby directed to set aside in depreciation reserve commencing October 1, 1920, the sum of $150,000 per annum plus an amount equal to 2.5 per cent per annum on all net additions to depreciable capital made after July 1, 1920.

The Southern Sierras Power Company is hereby further directed to set aside in its depreciation reserve commencing October, 1920, the sum of $45,000 per annum plus 6 per cent per annum on all net additions to depreciation reserve made on and after October, 1920.

Holton Power Company is hereby directed to set aside in its depreciation reserve commencing October, 1920, the sum of $26,000 per annum plus an amount equal to 3 per cent per annum on all net additions to depreciable capital made after July 1, 1920.

Holton Power Company is hereby further directed to set aside in its depreciation reserve commencing October, 1920, the sum of $9,000 per annum plus 6 per cent per annum on all net additions to depreciation reserve made on and after October, 1920.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this sixteenth day of September, 1920.

APPENDIX "A."

Schedules of lighting, heating and cooking, and power rates (L–1 to L–6 inclusive, C–1 and C–2) for THE SOUTHERN SIERRAS POWER COMPANY. Effective for meter readings taken on and after the twentieth day of September, 1920.

SCHEDULE L-1.

General Lighting Service.

Applicable to general domestic and commercial lighting service.

Territory.

Applicable throughout that territory served north of San Bernardino Mountains.

Rate.		Gross	Net	
First	30 k.w.h. per meter per month	13 cents	12	cents per k.w.h.
Next	70 k.w.h. per meter per month	11 cents	10	cents per k.w.h.
Next	400 k.w.h. per meter per month		8.5	cents per k.w.h.
Next	500 k.w.h. per meter per month		7	cents per k.w.h.
Next	1,000 k.w.h. per meter per month		6	cents per k.w.h.
All over	2,000 k.w.h. per meter per month		5.5	cents per k.w.h.

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Minimum Charge.

(a) Within incorporate municipalities:
Gross, $1.50 per meter per month.
Net, $1.40 per meter per month.

(b) Outside incorporate municipalities:
Gross, $1.60 per meter per month.
Net, $1.50 per meter per month.

Special Conditions.

The net rate is effective providing the bill is paid within a period of 12 days from date of presentation of bill, otherwise the gross rate is effective.

SCHEDULE L-2.

General Lighting Service.

Applicable to general domestic and commercial lighting service.

Territory.

Applicable to service throughout that territory served south of San Bernardino Mountains, excluding the city of San Bernardino.

Rate.

		Gross	Net
First	30 k.w.h. per meter per month	12 cents	11 cents per k.w.h.
Next	70 k.w.h. per meter per month	11 cents	10 cents per k.w.h.
Next	400 k.w.h. per meter per month		8.5 cents per k.w.h.
Next	500 k.w.h. per meter per month		7 cents per k.w.h.
Next	1,000 k.w.h. per meter per month		6 cents per k.w.h.
All over	2,000 k.w.h. per meter per month		5.5 cents per k.w.h.

Minimum Charge.

(a) Within incorporate municipalities:
Gross, $1.40 per meter per month.
Net, $1.30 per meter per month.

(b) Outside incorporate municipalities:
Gross, $1.60 per meter per month.
Net, $1.50 per meter per month.

Special Conditions.

The net rate is effective providing the bill is paid within a period of 12 days from date of presentation of bill, otherwise the gross rate is effective.

SCHEDULE L-3.

General Lighting Service.

Applicable to general domestic and commercial lighting service.

Territory.

Applicable within the city of San Bernardino.

Rate.

		Gross	Net
First	30 k.w.h. per meter per month	11 cents	10 cents per k.w.h.
Next	70 k.w.h. per meter per month	10 cents	9 cents per k.w.h.
Next	400 k.w.h. per meter per month		8 cents per k.w.h.
Next	500 k.w.h. per meter per month		7 cents per k.w.h.
Next	1,000 k.w.h. per meter per month		6 cents per k.w.h.
All over	2,000 k.w.h. per meter per month		5.5 cents per k.w.h.

Minimum Charge.

Gross, $1.35 per meter per month.
Net, $1.25 per meter per month.

Special Conditions.

The net rate is effective providing the bill is paid within a period of 12 days from date of presentation of bill, otherwise the gross rate is effective.

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SCHEDULE L-4.

General Lighting Service.

Applicable to general domestic and commercial lighting service.

Territory.

Applicable throughout the Coachella Valley.

Rate.

		Gross	Net
First	30 k.w.h. per meter per month	13 cents	12 cents per k.w.h.
Next	70 k.w.h. per meter per month	11 cents	10 cents per k.w.h.
Next	400 k.w.h. per meter per month		8.5 cents per k.w.h.
Next	500 k.w.h. per meter per month		7 cents per k.w.h.
All over	1,000 k.w.h. per meter per month		6 cents per k.w.h.

Minimum Charge.

Gross, $1.60 per meter per month.
Net, $1.50 per meter per month.

Special Conditions.

The net rate is effective providing the bill is paid within a period of 12 days from date of presentation of bill, otherwise the gross rate is effective.

SCHEDULE L-5.

General Lighting Service.

Applicable to general domestic and commercial lighting service.

Territory.

Applicable throughout the Blythe district.

Rate.

		Gross	Net
First	50 k.w.h. per meter per month	17 cents	16 cents per k.w.h.
Next	150 k.w.h. per meter per month	14 cents	13 cents per k.w.h.
All over	200 k.w.h. per meter per month		10 cents per k.w.h.

Minimum Charge.

Gross, $1.75 per meter per month.
Net, $1.65 per meter per month.

Special Conditions.

The net rate is effective providing the bill is paid within a period of 12 days from date of presentation of bill, otherwise the gross rate is effective.

SCHEDULE L-6.

Street Lighting Service.

Applicable to municipal or public street and outdoor lighting service.

Territory.

Applicable to entire territory served.

Size of Lamp.	Annual demand charge per lamp: Bracket Type Lamp	Annual demand charge per lamp: Mast arm or suspension type lamp	Monthly energy charge per 100 lamp hours
(a) Incandescent Lamps:			
40 watt or less	$11 00	$13 50	$0 10
41 to 60 watt	13 50	15 50	15
61 to 75 watt	15 00	17 00	20
76 to 100 watt	17 50	20 00	25
101 to 200 watt	27 50	30 00	50
201 to 300 watt	37 50	40 00	75
301 to 400 watt	48 00	50 00	1 00
401 to 500 watt	58 00	60 00	1 25
501 to 600 watt	68 00	70 00	1 50
(b) Arc Lamps:			
600 watt		80 00	1 50

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Special Conditions.

(a) The annual demand charge to be paid in twelve equal monthly installments.

(b) Above rates include installation, all maintenance and operation and lamp renewals necessary. If company is required to provide ornamental lighting posts or standards an additional charge will be made.

(c) All night service will be considered as 4000 hours per year. Moonlight service will be considered as 2240 hours per year.

SCHEDULE C-1.

General Heating and Cooking and Combination Service.

Applicable to general domestic and commercial heating, cooking and water heating service and to combination lighting with heating, cooking or water heating service.

Territory.

Applicable throughout that territory served from the general system north of the San Bernardino Mountains, south of the San Bernardino Mountains, except in the Coachella Valley, and within the city of San Bernardino.

Rate.

(a) Heating, cooking and water heating service:

First 150 k.w.h. per meter per month	4.5 cents per k.w.h.
All over 150 k.w.h. per meter per month	3.0 cents per k.w.h.

(b) Combination lighting with heating, cooking or water heating service (applicable to residences, flats or apartments of eight rooms or less):

First 30 k.w.h.	*
Next 120 k.w.h. per meter per month	4.5 cents per k.w.h.
All over 150 k.w.h. per meter per month	3.0 cents per k.w.h.

Minimum Charge.

$0.75 per kilowatt per month of active connected heating and cooking capacity, but not less than $3 per month.

Special Conditions.

(a) This schedule applies only where consumers have installed and use cooking, heating or water heating appliances other than lamp socket devices of at least 2 kilowatts capacity.

(b) Bath rooms, halls and cellars are not classified as active rooms.

(c) The active connected cooking, heating and water heating load shall be taken as 100 per cent of the first 2 kilowatts installed and 50 per cent of the connected load installed in excess of 2 kilowatts, computed to the nearest one-tenth of a kilowatt, but is never to be taken as less than 2 kilowatts. Motors and instantaneous water heaters will be rated as 100 per cent active connected load. Where the connected load is so arranged that all of it can not be connected at one time, only the maximum load that can be connected will be used as a basis for the active load. All equipment will be assumed as operating at 100 per cent power factor.

(d) Combination lighting service is not rendered for residences of over eight rooms.

(e) Small power service (3 horsepower or less) may be combined with the heating and cooking schedules and in such cases the minimum charge will be $1.50 per horsepower of such load plus the regular heating and cooking minimum.

SCHEDULE C-2.

General Heating and Cooking and Combination Service.

Applicable to general domestic and commercial heating, cooking and water heating service, and to combination lighting, heating, cooking or water heating service

Territory.

Applicable throughout the Coachella Valley.

Rate.

(a) Heating, cooking and water heating service:

First 150 kilowatt hours per meter per month	5.0 cents per k.w.h.
All over 150 kilowatt hours per meter per month	3.25 cents per k.w.h.

*General lighting rate applicable in that territory served to apply.

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(b) Combination lighting, with heating, cooking or water heating (applicable to residences, flats or apartments of eight rooms or less):

First	30 kilowatt hours per meter per month	*
Next	120 kilowatt hours per meter per month	5.0 cents per k.w.h.
All over	150 kilowatt hours per meter per month	3.25 cents per k.w.h.

*General lighting rate applicable in this territory to apply.

Minimum Charge.

$0.75 per kilowatt per month of active connected load, but in no case less than $3 per month.

Special Conditions.

(a) This schedule applies only where consumers have installed and use cooking, heating or water heating appliances other than lamp socket devices of at least 2 kilowatts capacity.

(b) Bath rooms, halls and cellars are not classified as active rooms.

(c) The active connected cooking, heating and water heating load shall be taken as 100 per cent of the first 2 kilowatts installed and 50 per cent of the connected load installed in excess of 2 kilowatts, computed to the nearest one-tenth of a kilowatt, but is never to be taken as less than 2 kilowatts. Motors and instantaneous water heaters will be rated as 100 per cent active connected load. Where the connected load is so arranged that all of it can not be connected at one time, only the maximum load that can be connected will be used as a basis for the active load. All equipment will be assumed as operating at 100 per cent power factor.

(d) Combination lighting service is not rendered for residences of over eight rooms.

(e) Small power service (3 horsepower or less) may be combined with the heating and cooking schedule and in such cases the minimum charge will be $1.50 per horsepower of such load plus the regular heating and cooking minimum.

APPENDIX "B."

Schedules of power rates for the service of power to Nevada-California Power Company and Holton Power Company (P-8 and P-9) for THE SOUTHERN SIERRAS POWER COMPANY. Effective for meter readings taken on and after the twentieth day of September, 1920.

SCHEDULE P-8.

Special Resale Service.

Applicable to resale service to the Nevada-California Power Company.

Rate.

$0.01 per kilowatt hour.

No minimum charge.

Special Conditions.

Energy to be delivered and measured at Control Station or at Jordan Power House switchboard.

SCHEDULE P-9.

Special Resale Service.

Applicable to resale service to the Holton Power Company at El Centro.

Rate.

(a) Demand Charge:

$1.75 per kilowatt per month of measured maximum demand occurring during the month or the eleven preceding months.

(b) Energy Charge:

1.6c per kilowatt hour per month.

Special Conditions.

Energy to be delivered and measured at 55,000 volts.

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APPENDIX "C."

Schedules of power rates for general power, agricultural and resale service (P–1, P–2, P–3, P–4, P–5, P–6 and P–7) for THE SOUTHERN SIERRAS POWER COMPANY. Effective for meter readings taken on and after the first day of November, 1920.

SCHEDULE P-1.

General Power Service.

Applicable to all industrial and resale power service except for such service as may be included under other schedules.

Territory.

Applicable to entire territory served except in Blythe and Yuma districts.

Rate.

(a) For service delivered at 110–220 or 440 volts:

Monthly consumption per horsepower	Rate per k.w.h. per connected load of 2 h.p. to 4 h.p.	5 h.p. to 14 h.p.	15 h.p. to 29 h.p.	30 h.p. to 74 h.p.	75 h.p. to 199 h.p.	200 h.p. and over
First 50 k.w.h.	6.5 cents	5.5 cents	4.5 cents	3.75 cents	3.25 cents	3.0 cents
Next 100 k.w.h.	4.0 cents	3.0 cents	2.5 cents	2.2 cents	2.0 cents	1.8 cents
All over 150 k.w.h.	1.8 cents	1.7 cents	1.6 cents	1.5 cents	1.4 cents	1.4 cents

Minimum Charge.

First 10 horsepower per month ..... $1.50 per horsepower
All over 10 horsepower per month ..... 1.25 per horsepower

But in no case shall the minimum be less than $3 per month.

(b) For service delivered at 2200 volts or over:

Monthly consumption per horsepower	Rate per kilowatt hour per connected load of 15 h.p. to 29 h.p.	30 h.p. to 74 h.p.	75 h.p. to 199 h.p.	200 h.p. and over
First 50 kilowatt hours	4.0 cents	3.5 cents	3.0 cents	2.8 cents
Next 100 kilowatt hours	2.3 cents	2.0 cents	1.8 cents	1.7 cents
All over 150 kilowatt hours	1.5 cents	1.4 cents	1.3 cents	1.2 cents

Minimum Charge.

First 20 horsepower per month ..... $1.25 per horsepower
All over 20 horsepower per month ..... 1.00 per horsepower

Special Conditions.

(a) The above rates (a) and (b) may be based on horsepower of measured maximum demand instead of horsepower of connected load providing the installation consists of at least two motors and has a total active connected capacity of at least 50 horsepower, in which case the minimum monthly charge will not be less than 50 per cent of the total active connected load and in no case less than $50 per month.

(b) The maximum demand in any month shall be the average horsepower input (746 watts equivalent) indicated or recorded by instruments to be furnished and installed by the company upon the consumer's premises, adjacent to watt-hour meter or meters, in the 15-minute interval in which the consumption of electricity is greater than in any other 15-minute interval in the month, or, at the option of the company, the maximum demand may be determined by test.

In the case of hoists, elevators, welding machines, furnaces and other installations where the energy demand is intermittent, or subject to violent fluctuations, the company may base the consumer's maximum demand upon a 3-minute instead of a 15-minute interval.

(c) Option of rate for larger installation. Any consumer may obtain the rates for a larger installation by guaranteeing the rates and minimum applicable to the larger installation.

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SCHEDULE P-2.

General Power Service.

Applicable to all general industrial and resale power service except for such service as may be included under other schedules and is optional to schedule P-1.

Territory.

Applicable to entire territory served except in Blythe and Yuma districts.

Rate.

Readiness-to-serve charge:	Per h.p. per year.
First 5 horsepower of active connected load or maximum demand	$24 00
Next 20 horsepower of active connected load or maximum demand	18 00
Next 75 horsepower of active connected load or maximum demand	15 00
All over 100 horsepower of active connected load or maximum demand	12 00

But in no case will the readiness-to-serve charge be less than $48 per year.

Energy charge:	
First 2,000 kilowatt hours per month	1.7 cents per k.w.h.
Next 3,000 kilowatt hours per month	1.5 cents per k.w.h.
Next 10,000 kilowatt hours per month	1.4 cents per k.w.h.
Next 20,000 kilowatt hours per month	1.3 cents per k.w.h.
Next 40,000 kilowatt hours per month	1.2 cents per k.w.h.
All over 75,000 kilowatt hours per month	1.1 cents per k.w.h.

Special Conditions.

(a) The readiness-to-serve charge is based upon the total active connected load and is payable in twelve equal monthly installments or in equal installments during certain specified months as agreed upon with the company.

(b) The readiness-to-serve charge may be based on the horsepower of measured maximum demand occurring during that month and the eleven months immediately preceding providing the installation consists of at least two motors and has a total active connected load of at least 50 horsepower, in which case the horsepower upon which the demand charge will be based will be not less than 50 per cent of the total active connected load and in no case less than $600 per year.

(c) The maximum demand in any month shall be the average horsepower input (746 watts equivalent) indicated or recorded by instruments to be furnished and installed by the company upon the consumer's premises, adjacent to watt-hour meter or meters, in the 15-minute interval in which the consumption of electricity is greater than in any other 15-minute interval in the month, or, at the option of the company, the maximum demand may be determined by test.

In the case of hoists, elevators, welding machines, furnaces and other installations where the energy demand is intermittent, or subject to violent fluctuations, the company may base the consumer's maximum demand upon a 3-minute instead of a 15-minute interval.

SCHEDULE P-3.

Agricultural Power Service.

Applicable to general agricultural power service.

Territory.

Applicable to entire territory served except in the Yuma and Blythe Districts.

Rate.

(a) For service delivered at 110, 220 or 440 volts:

Monthly consumption per h.p.	Rate per k.w.h. for connected loads of 2 h.p. to 9 h.p.	Rate per k.w.h. for connected loads of 10 h.p. and over
First 100 kilowatt hours	3.6 cents	3.4 cents
Next 200 kilowatt hours	2.5 cents	2.3 cents
All over 300 kilowatt hours	1.7 cents	1.6 cents

Minimum Charge.

First 5 horsepower	$12 00 per horsepower per year
All over 5 horsepower	10 00 per horsepower per year

But in no case will the minimum charge be less than $30 per year.

(b) For service delivered at 2200 volts or over:

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Monthly consumption per h.p.		Rate per k.w.h. for connected loads of 16 h.p. to 74 h.p.	Rate per k.w.h. for connected loads of 75 h.p. and over
First	100 kilowatt hours	3.2 cents	3.0 cents
Next	200 kilowatt hours	2.2 cents	2.0 cents
All over	300 kilowatt hours	1.5 cents	1.4 cents

Minimum Charge.

$9 per horsepower per year.

Special Conditions.

(a) The above rates (a) and (b) may be based on horsepower of measured maximum demand occurring during that month and the eleven months immediately preceding providing the installation consists of at least two motors and has a total active connected load of at least 50 horsepower, in which case the horsepower upon which the demand charge will be based will not be less than 50 per cent of the total active connected load and in no case less than $600 per year.

(b) The maximum demand in any month shall be the average horsepower input (746 watts equivalent) indicated or recorded by instruments to be furnished and installed by the company upon the consumer's premises, adjacent to watt-hour meter or meters, in the 15-minute interval in which the consumption of electricity is greater than in any other 15-minute interval in the month, or, at the option of the company, the maximum demand may be determined by test.

(c) Minimum charge to be paid in equal monthly installments during months of May to October inclusive.

Consumers may select, if satisfactory to the company, other months than those stated herein for payment of minimum charge.

(d) Applicable for service rendered on and after January 2, 1921.

SCHEDULE P-4.

Agricultural Power Service.

Applicable to general agricultural power service and is optional to Schedule P-3.

Territory.

Applicable to entire territory served except Blythe and Yuma Districts.

Rate.

Readiness-to-serve charge:

First	3 horsepower of connected load	$20 00 per h.p. per year
Next	12 horsepower of connected load	15 00 per h.p. per year
Next	35 horsepower of connected load	12 00 per h.p. per year
All over	50 horsepower of connected load	10 00 per h.p. per year

In no case will the readiness-to-serve charge be less than $40 per year per installation.

Energy charge:

First	2,000 kilowatt hours per month	1.6 cents per k.w.h.
Next	3,000 kilowatt hours per month	1.5 cents per k.w.h.
Next	10,000 kilowatt hours per month	1.4 cents per k.w.h.
All over	15,000 kilowatt hours per month	1.2 cents per k.w.h.

Special Conditions.

(a) The readiness-to-serve charge to be paid in equal installments during the months of May to October, inclusive. No readiness-to-serve charge to be paid during the remaining months.

Consumers may, however, select, if satisfactory to the company, other months than those stated herein for payment of readiness-to-serve charge.

(b) Applicable to service rendered on and after January 2, 1921.

(c) The above rates (a) and (b) may be based on horsepower of measured maximum demand occurring during that month and the eleven months immediately preceding providing the installation consists of at least two motors and has a total active connected load of at least 50 horsepower, in which case the horsepower upon which the demand charge will be based will not be less than 50 per cent of the total active connected load and in no case less than $600 per year.

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(d) The maximum demand in any month shall be the average horsepower input (746 watts equivalent) indicated or recorded by instruments to be furnished and installed by the company upon the consumer's premises, adjacent to watt-hour meter or meters, in the 15-minute interval in which the consumption of electricity is greater than in any other 15-minute interval in the month, or, at the option of the company, the maximum demand may be determined by test.

SCHEDULE P-5.

General Power Service.

Applicable to industrial power service and also to service for agricultural purposes in and about the town of Blythe, up to capacity of company's plant.

Territory.

Applicable throughout the Blythe district.

Rate.

		Gross	Net
First	50 k.w.h. per meter per month	13 cents	12½ cents per k.w.h.
Next	250 k.w.h. per meter per month	9 cents	8 cents per k.w.h.
Next	700 k.w.h. per meter per month		6 cents per k.w.h.
All over	1,000 k.w.h. per meter per month		5 cents per k.w.h.

Minimum Charge.

$1.60 per horsepower per month, but in no case less than $3.20 per month.

Special Conditions.

The net rate is effective providing the bill is paid within a period of 12 days from date of presentation of bill, otherwise the gross rate is effective.

SCHEDULE P-6.

General Power Service.

Applicable to general power service to Imperial Irrigation District and for resale service into Arizona.

Territory.

Applicable in the Yuma district.

Rate.

Readiness-to-serve charge:

$2 per kilowatt per month of measured maximum demand occurring during the month of the eleven months immediately preceding.

The annual readiness-to-serve charge in no case to be less than $2,500.

Energy Rate:

1.7 cents per kilowatt hour per month.

Special Conditions.

(a) The maximum demand in any month shall be the average horsepower input (746 watts equivalent) indicated or recorded by instruments to be furnished and installed by the company upon the consumer's premises, adjacent to watt hour meter or meters, in the 15-minute interval in which the consumption of electricity is greater than in any other 15-minute interval in the month, or, at the option of the company, the maximum demand may be determined by test.

(b) The above rate to be applied to each point at which service is delivered.

SCHEDULE P-7.

Intermittent or Temporary Service.

Applicable for industrial power service of temporary nature or service required intermittently throughout the year.

Territory.

Applicable to entire territory served except in the Blythe and Yuma Districts.

Rate.

(a) Readiness-to-serve charge:

$5 per horsepower per year.

(b) Energy Charge:

The energy charges, without the minimum charge, as set forth under Schedule P-1 applicable to General Industrial Power Service, to apply.

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Special Conditions.

The rate for intermittent or temporary service is the energy rates of the general industrial power schedules without the minimum charge, but with a service or readiness-to-serve charge of $5 per connected horsepower per year.

This service charge to be paid in five equal monthly installments, beginning with the first month after selecting such basis.

APPENDIX "D."

Schedules of lighting, heating and cooking, and power rates (L–1, L–2 and C–1) for HOLTON POWER COMPANY. Effective for meter readings taken on and after the first day of November, 1920.

SCHEDULE L-1.

General Lighting Service.

Applicable to general domestic and commercial lighting service.

Territory.

Applicable to entire Imperial Valley.

Rate.

		Gross	Net	
First	10 k.w.h. or less per meter per month	$1 60	$1 50	per k.w.h.
Next	90 k.w.h. per meter per month	13	12	per k.w.h.
Next	200 k.w.h. per meter per month	--	10	per k.w.h.
Next	300 k.w.h. per meter per month	--	08	per k.w.h.
Next	400 k.w.h. per meter per month	--	07	per k.w.h.
All over	1,000 k.w.h. per meter per month	--	065	per k.w.h.

Special Conditions.

The net rate is effective providing the bill is paid within a period of 12 days from date of presentation of bill, otherwise the gross rate is effective.

SCHEDULE L-2.

Street Lighting Service.

Applicable to municipal or public street and outdoor lighting service.

Territory.

Applicable to entire Imperial Valley.

Rate.

Size of incandescent lamp	Annual demand charge per lamp: Bracket type lamp	Annual demand charge per lamp: Mast arm or suspension type lamp	Monthly energy charge per 100 lamp hours
40 watt or less	$11 00	$13 50	$0 12
41 to 60 watt	13 50	15 50	17
61 to 75 watt	15 00	17 50	22
76 to 100 watt	17 50	20 00	27
101 to 200 watt	27 50	30 00	55
201 to 300 watt	37 50	40 00	80
301 to 400 watt	48 00	50 00	1 15
401 to 500 watt	58 00	60 00	1 40
501 to 600 watt	68 00	70 00	1 70

Special Conditions.

(a) The annual demand charge to be paid in twelve equal monthly installments.

(b) Above rates include installation, all maintenance and operation and lamp renewals necessary. If company is required to provide ornamental lighting posts or standards an additional charge will be made.

(c) All-night service will be considered as 4000 hours per year. Moonlight service will be considered as 2240 hours per year.

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SCHEDULE C-1.

General Heating, Cooking and Combination Service.

Applicable to general domestic and commercial heating, cooking and water heating service and to combination lighting with heating, cooking or water heating service.

Territory.

Applicable to entire Imperial Valley.

Rate.

(a) Heating, cooking and water heating service:

First	150 kilowatt hours per meter per month	5.0 cents per k.w.h.
All over	150 kilowatt hours per meter per month	3.5 cents per k.w.h.

(b) Combination lighting, heating, cooking or water heating service (applicable only to residences, flats and apartments of eight or less rooms):

First	25 kilowatt hours per meter per month	*
Next	125 kilowatt hours per meter per month	5.0 cents per k.w.h.
All over	150 kilowatt hours per meter per month	3.5 cents per k.w.h.

*General lighting rate to apply.

Minimum Charge.

$1 per kilowatt per month of active connected heating or cooking capacity, but not less than $3 per month.

Special Conditions.

(a) This schedule applies only where consumers have installed and use cooking, heating and water heating appliances other than lamp socket devices of at least 2 kilowatts capacity.

(b) Bathrooms, halls and cellars are not classified as active rooms.

(c) The active connected cooking, heating and water heating load shall be taken as 100 per cent of the first 2 kilowatts installed and 50 per cent of the connected load installed in excess of 2 kilowatts, computed to the nearest one-tenth of a kilowatt, but is never to be taken as less than 2 kilowatts. Instantaneous water heaters will be rated as 100 per cent active connected load. Where the connected load is so arranged that all of it can not be connected at one time, only the maximum load that can be connected will be assumed as operating at 100 per cent power factor.

(d) Combination service is not rendered for residences of over eight rooms.

(e) Small power service (3 horsepower or less) may be combined with the heating and cooking schedule, and in such cases, the minimum charge will be $1.50 per horsepower of such load plus the regular heating and cooking minimum.

APPENDIX "E."

Schedules of power and resale rates (P-1, P-2 and P-3) for HOLTON POWER COMPANY. Effective for meter readings taken on and after the first day of November, 1920.

SCHEDULE P-1.

General Power Service.

Applicable to all general, industrial, agricultural and resale power service.

Territory.

Applicable to the entire Imperial Valley.

Rate.

(a) For service delivered at 110, 220 or 440 volts:

Monthly consumption per h.p.	Rate per k.w.h. for connected loads of 2 h.p. to 4 h.p.	5 h.p. to 14 h.p.	15 h.p. to 49 h.p.	50 h.p. to 199 h.p.	200 h.p. and over
First 50 k.w.h.	7 cents	6 cents	5 cents	4.5 cents	4.0 cents
Next 100 k.w.h.	5 cents	4 cents	3.2 cents	2.8 cents	2.5 cents
All over 150 k.w.h.	2.5 cents	2.3 cents	2.2 cents	2.1 cents	2.0 cents

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Minimum Charge.

First 10 horsepower per month	$1 50 per horsepower
All over 10 horsepower per month	1 25 per horsepower

(b) For service delivered at 2200 volts or over:

Monthly consumption per h.p.	Rate per k.w.h. for connected loads of 15 h.p. to 49 h.p.	50 h.p. to 199 h.p.	200 h.p. to 499 h.p.	500 h.p. and over
First 50 kilowatt hours	4.5 cents	4.0 cents	3.8 cents	3.6 cents
Next 100 kilowatt hours	2.8 cents	2.7 cents	2.4 cents	2.2 cents
All over 150 kilowatt hours	2.1 cents	2.0 cents	2.0 cents	2.0 cents

Minimum Charge.

First 20 horsepower per month	$1 25 per horsepower
All over 20 horsepower per month	1 00 per horsepower

Special Conditions.

(a) The above rates (a) and (b) may be based on horsepower of measured maximum demand instead of horsepower of connected load providing the installation consists of at least two motors and has a total active connected capacity of at least 50 horsepower, in which case the minimum monthly charge will not be less than 50 per cent of the total active connected load and in no case less than $50 per month.

(b) The maximum demand in any month shall be the average horsepower input (746 watts equivalent) indicated or recorded by instruments to be furnished and installed by the company upon the consumer's premises, adjacent to watt-hour meter or meters, in the 15-minute interval in which the consumption of electricity is greater than in any other 15-minute interval in the month, or at the option of the company, the maximum demand may be determined by test.

In the case of hoists, elevators, welding machines, furnaces and other installations where the energy demand is intermittent, or subject to violent fluctuations, the company may base the consumer's maximum demand upon a 3-minute instead of a 15-minute interval.

(c) Option of rate for larger installation. Any consumer may obtain the rates for a larger installation by guaranteeing the rates and minimum applicable to the larger installation.

SCHEDULE P-2.

General Power Service.

Applicable to all general industrial, agricultural and resale power service, and is optional to Schedule P-1.

Territory.

Applicable to entire Imperial Valley.

Rate.

(a) Readiness-to-serve charge:

First 5 horsepower or less	$30 00 per horsepower per year
Next 20 horsepower	21 00 per horsepower per year
Next 75 horsepower	18 00 per horsepower per year
All over 100 horsepower	15 00 per horsepower per year

But in no case shall the readiness-to-serve charge be less than $75 per year.

(b) Energy charge:

First 2,000 kilowatt hours per month	2.5 cents per kilowatt hour
Next 3,000 kilowatt hours per month	2.2 cents per kilowatt hour
Next 10,000 kilowatt hours per month	2.0 cents per kilowatt hour
All over 15,000 kilowatt hours per month	1.8 cents per kilowatt hour

Special Conditions.

(a) The readiness-to-serve charge is to be paid as follows:

(1) Cotton gins and cotton mills:

The readiness-to-serve charge to be paid in equal monthly payments during the cotton season.

(2) Ice plants, creameries, resale, and other power service:

The readiness-to-serve charge to be paid in equal monthly payments throughout the year.

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(b) The readiness-to-serve charge may, however, be paid during other months than specified above upon agreement between consumer and company.

(c) The demand charge may be based on the horsepower of measured maximum demand occurring during that month and the eleven months immediately preceding providing the installation consists of at least two motors and has a total active connected load of at least 50 horsepower, in which case the horsepower upon which the demand charge will be based will be not less than 50 per cent of the total active connected load and in no case less than $600 per year.

(d) The maximum demand in any month shall be the average horsepower input (746 watts equivalent) indicated or recorded by instruments to be furnished and installed by the company upon the consumer's premises, adjacent to watt-hour meter or meters, in the 15-minute interval in which the consumption of electricity is greater than in any other 15-minute interval in the month, or, at the option of the company, the maximum demand may be determined by test.

In the case of hoists, elevators, welding machines, furnaces and other installations where the energy demand is intermittent, or subject to violent fluctuations, the company may base the consumer's maximum demand upon a 3-minute instead of a 15-minute interval.

SCHEDULE P-3.

Intermittent or Temporary Service.

Applicable for industrial power service of temporary nature or service required intermittently throughout the year.

Territory.

Applicable to entire Imperial Valley.

Rate.

(a) Readiness-to-serve charge:
$5 per horsepower per year.

(b) Energy charge:
The energy charges, without the minimum charge, as set forth under schedule P–1 applicable to general industrial power service, to apply.

Special Conditions.

The rate for intermittent or temporary service is the energy rates of the general industrial power schedules without the minimum charge, but with a service or readiness-to-serve charge of $5 per connected horsepower per year.

This service charge to be paid in five equal monthly installments, beginning with the first month after selecting such basis.

DECISION NO. 8120.

IN THE MATTER OF THE APPLICATION OF THE HANFORD GAS AND POWER COMPANY, A CORPORATION, FOR AN ORDER AUTHORIZING AN INCREASE OF RATES.

Application No. 6006.

Decided September 16, 1920.

John F. Corcrt, for Applicant.

BY THE COMMISSION.

OPINION.

This is an application by Hanford Gas and Power Company for an order authorizing it to increase its rates and charges for gas supplied to its consumers in the city of Hanford and vicinity. Applicant

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alleges that, due to increased cost of labor and supplies and increased freight rates, it is now operating at a loss, and that the revenue derived from gas sales has for several months past been insufficient to pay operating expenses. Applicant therefore seeks authority to increase its rates and has asked for an order establishing the schedule of rates hereinafter set forth.

A public hearing was held in Hanford on August 18, 1920, before Examiner Satterwhite and the matter thereupon submitted.

Applicant is engaged in supplying artificial gas to its consumers in the city of Hanford and vicinity, and during the year 1919 sold 22,355 thousand cubic feet, for which it derived a gross revenue of $39,178.45, or an average rate of $1.752 per thousand. Operating expenses amounted to $29,067.43, leaving a balance of $10,111.02 for interest and depreciation. Operations for the first six months of 1920 show sales totalling 13,276.3 thousand cubic feet, with a gross revenue of $23,045.01, or an average rate of $1.736 per thousand. Total costs during this period amounted to $20,729.28, leaving a balance of $2,315.73 for depreciation and return, which indicated a very material reduction from the preceding year.

The present rates were established by Decision No. 5863, dated October 22, 1918, and are shown in the following schedule:

First	500 cubic feet or less per meter per month	$1 00
Next	2,500 cubic feet per meter per month	$1 80 per 1,000 feet
Next	5,000 cubic feet per meter per month	1 70 per 1,000 feet
Next	7,000 cubic feet per meter per month	1 50 per 1,000 feet
All over	15,000 cubic feet per meter per month	1 20 per 1,000 feet

Since establishing the above charges operating expenses have increased to a very marked degree. Wages have been advanced approximately 47 per cent and various materials and supplies have also increased considerably. Oil is being purchased under contract running until December 22, 1920, at a price of $1.80 per barrel f.o.b. Hanford. This price is, however, subject to all increases in freight rates and future shipments will cost $1.90 per barrel at the plant. In determining operating costs for the ensuing year allowance must be made for greatly increased oil costs as are now experienced by other gas companies, who are purchasing oil in the open market, subject to the field prices. The following tabulation presents a summary of essential operating statistics for 1919, the first six months of 1920 and the year ending August 31, 1921, based upon evidence submitted in this case:

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Hanford Gas and Power Company—Operating Statistics.

	1919	Jan.-June, 1920	Year ending Aug. 31, 1921
Consumers	930	965	1,040
Gas sales, thousand cubic feet	22,355.0	13,276.3	26,000
Barrels oil used	7,095	5,730	10,525
Gallons oil per 1000 sold	13.32	18.14	17.00
Sales, per consumer per year	24.04	27.5	25.0
Revenue, gas sales	$39,178 45	$23,045 01	$45,650 00
Operating expenses	29,067 43	20,729 28	45,310 00
Net depreciation and return	$10,111 02	$2,315 73	$340 00
Depreciation	6,994 68		3,525 00
Net	$3,166 34		$3,185 00

The above figures indicate that under the existing rates operations for the twelve months ending August 31, 1921, would produce a gross revenue of $45,650, with expenses amounting to $45,310, leaving a balance of only $340 for depreciation and return upon the investment. Applicant is therefore entitled to an increase in rates to the extent of earning a reasonable return upon a fair valuation of its properties. It is to be noted from the above statistics that during the first six months of 1920 the duty of oil in gallons required per thousand cubic feet of gas sold is relatively poor as compared with figures for 1919, there being an increase of nearly five gallons per thousand feet. This condition results in a very material increase in operating expenses which at the present cost of oil amounts to $5,675. Calculations for the following year have been made upon the basis of 17 gallons of oil being required per thousand feet of gas sold. For the year 1919 applicant charged for depreciation the sum of $6,944.88. This figure is apparently based upon the book value of applicant's property, which is set forth in this application as amounting to $226,077.12 as of June 30, 1920. This Commission has previously made a detailed investigation of the value of applicant's property, which it found to be $101,393.61 as of June 30, 1916. With additions and betterments to date this figure would be increased to $122,980.31. Allowing for normal depreciation upon the depreciable property an amount of $3,300 should be set aside for the present year.

Valuation of Properties Hanford Gas Company.

	January 1, 1920.
January 30, 1916	$101,393 61
One-half additions and betterments, 1916	216 95
Additions and betterments, 1917-18-19	21,369 75
Total fixed capital January 1, 1920	$122,980 31
Materials and supplies	2,000 00
Working cash capital	7,050 00
Total for rate base	$132,030 31

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The following table sets forth a statement of operating expenses for the year 1919 and the year ending August 31, 1921, based upon evidence submitted in this application:

Operating Expenses.	1919	1920-21
Production (oil)	$13,836 74	$22,640 00
Production (other)	7,856 98	11,660 00
Distribution	2,470 58	3,685 00
General	3,000 92	4,300 00
Taxes	1,902 21	3,025 00
Depreciation	6,944 68	3,300 00
Total	$36,012 11	$48,610 00

The cost of oil has been based on the price of $1.90 per barrel until the expiration of the present contract and thereafter at a price of $2.35 per barrel f.o.b. the gas plant.

Applicant is not at the present time earning a proper return upon its investment due to the low rates now in effect, and is therefore entitled to an increase. The rates hereinafter established are those proposed by applicant in its petition and while they will not produce a full return of 8 per cent they will result in a material relief from the present condition.

ORDER.

Hanford Gas and Power Company, having applied to the Railroad Commission for authority to increase its rates for gas, a hearing having been held and the matter submitted, and being now ready for decision:

The Railroad Commission of the State of California hereby finds as a fact that the present rates and charges of Hanford Gas and Power Company are not just and reasonable rates in so far as they do not adequately compensate it to the extent of earning a fair return upon its investment, and in so far as they differ from the rates herein established which are found to be just and reasonable rates for gas.

Basing its order upon the foregoing findings of fact, and in the other findings of fact contained in the opinion which precedes this order;

It is hereby ordered, that Hanford Gas and Power Company be and it is hereby authorized to charge and collect the following rates for gas in the city of Hanford and vicinity effective for all regular

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meter readings taken on and after the eighteenth day of September, 1920, to wit:

		Gross	Net	
General Service.				
First	500 cu. ft. or less per meter per month	$1 35	$1 25	
Next	2,500 cubic feet per meter per month	2 10	2 00	per 1000 cu. ft.
Next	5,000 cubic feet per meter per month	2 00	1 90	per 1000 cu. ft.
Next	7,000 cubic feet per meter per month	----	1 70	per 1000 cu. ft.
All over	15,000 cubic feet per meter per month	----	1 40	per 1000 cu. ft.

The discount as shown applies to all bills paid at the office of the company on or before the tenth day of the month in which the bill is rendered.

Provided, Hanford Gas and Power Company shall, within ten days from the date of this order, file with the Railroad Commission the schedule of rates herein established.

Dated at San Francisco, California, this sixteenth day of September, 1920.

DECISION NO. 8121.

IN THE MATTER OF THE APPLICATION OF AMERICAN RAILWAY EXPRESS COMPANY FOR AUTHORITY TO INCREASE EXPRESS RATES.

Application No. 5912.

Decided September 17, 1920.

Upon a showing by applicant that it has incurred an operating deficit of $3,000,000 per month for the last six months, and that immediate relief is imperative, the Commission authorizes an increase in intrastate rates of 12½ per cent, which is similar to the increase for interstate traffic granted by the Interstate Commerce Commission, provided, that increase for milk and cream rates shall not exceed 12½ per cent. The Commission reserves the right to keep the present proceeding open for such further adjustments as may appear to be warranted.

Alfred Sutro and *Sanborn & Rochl*, for American Railway Express Company.

Seth Mann, for San Francisco Chamber of Commerce.

Gavin McNab and *Nat Schmulowitz*, for San Francisco Wholesale Dairy Produce Exchange and Central California Creameries.

G. M. Hill, for Fresno Traffic Association.

George J. Bradley, for Merchants and Manufacturers' Traffic Association of Sacramento.

Mrs. Lester W. Bartlett, for Berkeley Housewives' League.

Mrs. Bishop A. Hughs, for Milk Committee of San Francisco Housewives' League.

S. H. Green, for California Dairy Council.

BY THE COMMISSION.

OPINION.

This is an application by the American Railway Express Company requesting this Commission to authorize it to increase its rates applying on California state business corresponding to increase

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allowed by the Interstate Commerce Commission in its order of August 11, 1920, on Docket No. 11326.

The applicant, American Railway Express Company, operated under government control October 18, 1918, to March 1, 1920. The Railroad Administration did not guarantee this carrier any net earning, but only guaranteed it against operating loss.

During the period of federal control, and for some time prior thereto, the express companies operated at a deficit. During the year 1919 the operating loss of the express company amounted to $21,819,488.28, and during the first six months of 1920 this carrier's operating deficit was approximately $3,000,000 per month. At midnight, August 31, 1920, the guarantee period of the federal government to the express company expired and the express company is now operating entirely on its own responsibility.

The record and the exhibits filed in the cases before the Interstate Commerce Commission and this Commission abundantly establish the applicant's need of additional revenue to enable it to meet the ever-increasing cost of operation, and it is clearly evident that if this company is to maintain an efficient express service it must secure additional revenue ample for its needs.

The express company's application to the Interstate Commerce Commission requested an increase in rates amounting to approximately 25.16 per cent, and also another application for authority to make certain changes in the official express classification. In acting upon the rate increase application, the Interstate Commerce Commission granted the applicant authority to increase rates 12½ per cent, the entire amount to accrue to the express company. The Interstate Commerce Commission, however, did not act upon the application to change the classification and, therefore, this Commission will ignore that feature of the application in this proceeding.

The loss and damage account of the applicant for the year 1919 amounted to $20,576,161.55 (Exhibit 17, revised). It was demonstrated by comparisons in the case before the Interstate Commerce Commission and conceded by the express company that in Zone 1 there are higher operating costs, and greater losses occur in that zone than in other zones. The state of California is in Zone 5.

To come to a conclusion as to whether the express rates in California are or are not reasonable and bear a full share of the burden would require an exhaustive investigation, probably of several months, but as there is no doubt of the applicant's need of additional revenue to enable it to meet operating expenses, a real emergency exists and relief must be immediate; therefore, there is no time in

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which such an investigation could be made before a decision is necessary in this case.

Upon all the facts of record we are convinced that this application should be granted, but the Commission does not finally pass upon the reasonableness of the rates so established.

We have given this matter very careful consideration, and while the method of a horizontal increase involves a departure from the original zone relationship established by this Commission, that departure under the circumstances here presented, is, we believe, justified.

There was no protest at the hearing in this proceeding concerning the first-class or merchandise rates. Representatives of the Housewives' leagues, San Francisco Wholesale Dairy Produce Exchange, Central California Creameries, and the California Dairy Council appeared and protested against any increase on food products generally, and considerable emphasis was made objecting to increasing the rates on milk and cream by the Housewives' leagues and the California Dairy Council, suggesting that probably the increased transportation charge would be used as an excuse by dealers to increase the prices of these commodities. The increased charges provided herein do not justify any material increase in the prices of these commodities to consumers. As an illustration, the present rate on milk and cream from San Jose to San Francisco is 26 cents per 10-gallon can and the increased rate will be 30 cents, a difference of 4 cents per 10 gallons, or four-tenths of a cent per gallon, only one mill or one-tenth of a cent per quart.

The Commission is confronted with practically the same circumstances in this case as in the general advance freight and passenger rate case, and we believe that any independent action on the part of this state at this time in regard to intrastate express rates might bring about serious results.

Shortly after the Interstate Commerce Commission's order in Docket No. 11326 authorizing a 12½ per cent increase in express rates, the entire amount to accrue to the express company, the Railroad Labor Board issued its decision granting express employees additional wages, which the company assumes will amount to $44,258,903, retroactive to May 1, 1920, and the express company has made a supplemental application to the Interstate Commerce Commission for an additional increase of 15 per cent in rates to cover the labor board wage award, and following their usual procedure, we assume the applicant will immediately, after decision by the Interstate Commerce Commission, file an application for similar increases with this Commission.

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There is no evidence before us in this record upon which to conclude that a 12½ per cent increase in rates will be sufficient, or exceed applicant's present requirements within the state of California, but the record does show, as heretofore stated, that the total operating losses were approximately $22,000,000 for the year 1919, and were $3,000,000 per month during the first six months of 1920; also that the wage award of the Railroad Labor Board increased operating expenses $44,000,000 per annum, retroactive to May 1, 1920. The increases in wages granted to employees handling California traffic will be substantial and the additional revenue secured under the proposed rates will probably be no more than sufficient to meet the increased operating expenses.

We are of the opinion that in this emergency this application can safely be granted in view of the fact that applicant now has before the Interstate Commerce Commission an application for a further increase of 15 per cent in its rates to meet the increased wages now being paid, and further considering that a request for similar increase will be made of this Commission.

If request is made following the decision of the Interstate Commerce Commission in the 15 per cent proceeding for additional increases in rates or changes in classifications, resulting in increases in California rates, the applicant will be required to make an affirmative showing that the proposed increases, in so far as they affect California, are reasonable.

ORDER.

It is hereby ordered, that this application should be and the same is hereby granted, except that milk and cream rates are to be increased by only 12½ per cent.

Adjustments.

This proceeding will be kept open for the purpose of considering the adjustment of rates and all appropriate matters which may properly be brought before the Commission. Adjustments may be necessary and the applicant will be expected to deal promptly and effectively therewith, to the end that such adjustments may be made in as many instances as practicable without forcing an appeal to this Commission.

Publication of Tariff.

The rates authorized herein may be published on one day's notice in a blanket supplement to all tariffs. Such supplements may be similar in character or the same as authorized by the Interstate Commerce Commission.

Dated at San Francisco, California, this seventeenth day of September, 1920.

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DECISION No. 8122.

IN THE MATTER OF THE APPLICATION OF NORTH MONETA GARDEN LANDS WATER COMPANY, A CORPORATION, FOR AN ORDER AUTHORIZING AN INCREASE IN RATES FOR SALES OF WATER.

Application No. 5426.

Decided September 18, 1920.

BY THE COMMISSION.

SUPPLEMENTAL ORDER AND ORDER DENYING PETITION FOR REHEARING.

The Railroad Commission having on July 15, 1920, issued its order (Decision No. 7880) in the above entitled matter wherein certain flat rates were established for the sale of water by North Moneta Garden Lands Water Company, and subsequently, applicant having applied for a supplemental order establishing meter rates, and it appearing to the Commission that this is not a matter in which a further hearing is necessary and that meter rates should be established;

It is hereby ordered, that North Moneta Garden Lands Company be and it is hereby authorized to file with the Railroad Commission within twenty (20) days from the date of this order, and thereafter charge the following schedule of meter rates, said schedule to be supplemental to the rates established in Decision No. 7880 in the above entitled proceeding:

Domestic Meter Rates.

For 400 cubic feet of water, or less	$1 00
From 400 cubic feet to 1,000 cubic feet, per 100 cubic feet	20
From 1,000 cubic feet to 2,000 cubic feet, per 100 cubic feet	15
All in excess of 2,000 cubic feet, per 100 cubic feet	12

NOTE.—Meters may be installed at the option of the consumer or the company. When a meter is installed at the request of a consumer, a deposit may be required, such deposit to be returned to the consumer as a credit on monthly water bills at a rate of one-twentieth (1/20) of the deposit per month.

The following deposits may be required:

For ⅝-inch meter	$15 00
For ¾-inch meter	20 00
For 1 -inch meter	25 00
For 1½-inch meter	45 00
For 2 -inch meter	70 00

It is hereby further ordered, that Decision No. 7880, heretofore rendered in this matter, shall be and remain in full force and effect, this order being supplemental thereto and in no wise a modification thereof.

It is hereby further ordered, that applicant's petition for rehearing in this matter be and it is hereby denied.

Dated at San Francisco, California, this eighteenth day of September, 1920.

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DECISION No. 8123.

IN THE MATTER OF THE APPLICATION OF CITRUS BELT GAS COMPANY FOR AN INCREASE IN GAS RATES.

Application No. 6010.

Decided September 20, 1920.

W. S. McNab, for Applicant.

A. E. Brock, Mayor, and *P. A. Leonard*, City Attorney, for City of Redlands.

EDGERTON, *Commissioner*.

OPINION.

In this application, and in other separate applications, Citrus Belt Gas Company seeks authority to increase its rates and charges for gas supplied in the cities of Redlands, San Bernardino, Colton and Corona.

A hearing was held in Redlands on September 14, 1920, at which time evidence relating to applicant's entire gas operations was presented and the matter is now submitted and ready for decision.

The rates now charged for gas by applicant in the city of Redlands and in the city of Corona have been in effect since October 15, 1917, and in the cities of San Bernardino and Colton since May 5, 1918, without change, although applicant's operations have meanwhile been subject to substantially greater costs of operation.

Applicant's revenues have remained practically stationary and the increases in the cost of oil used in gas manufacture and in labor and materials used in gas operations have resulted in the practical elimination of any net return to the company from its business. Oil has increased from $1.60 per barrel to $2.60 per barrel in the interim. This, in addition to the increase in other operating expenses, results in the present rates being from fifty to sixty cents per thousand cubic feet below what is necessary to provide the revenue for meeting the ordinary expenses of the business and a nominal return.

The situation confronting the people of these communities supplied by applicant is such that they are in imminent danger of losing their gas supply within a few days. Applicant's credit is completely exhausted, it can no longer obtain oil for gas manufacture and the amount of oil now on hand will not last more than a few days. The lack of funds by reason of the insufficient rates now charged has resulted in applicant's inability to properly maintain its system and provide service. The people of Redlands in particular have suffered this condition for some months and a very definite expression from them shows that they are willing to pay any reasonable price for gas if they be assured a continued and reasonably satisfactory service.

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Negotiations have been under way for some time for the acquirement of applicant's properties and business by Southern California Gas Company. A cloud on the title of applicant's properties, however, due to suits now pending in the courts, has prevented the culmination of this transaction and the expectation of its early settlement has deterred applicant from making the necessary improvements to its system or from applying for the obviously necessary higher rates.

An examination of the operating costs and present revenues shows the necessity of an increase in rates in the several communities varying from fifty to sixty cents per thousand cubic feet and increases in the minimum charges now in effect. Unless relief in the form of higher rates and greater revenue is available to applicant at once there appears to be no other alternative than for it to discontinue gas service in these communities. Such would be a genuine disaster to all concerned, and must be avoided by immediate relief. For many months past, consumers have been paying gas rates that have been wholly inadequate to meet the expenses of the business and the real emergency confronting both the applicant and the communities it serves makes it necessary to place the increased rates in effect without delay.

The rates set forth in the order herein represent substantial increases at this time over the rates now in effect, for the reason that applicant has not heretofore sought the relief in higher rates to which it was entitled from time to time in the past as its operating costs increased. The rates herein established should result in giving applicant funds to completely cover its operating costs and additional for return on its property. Its credit should be thereby restored and continued operations assured for some time. The higher rates herein granted to applicant impose upon it the obligation to improve its service and fully maintain its systems.

Increase in rates for San Bernardino is not authorized as existing competition will make impossible any relief to the company from this source.

I herewith submit the following form of order:

ORDER.

Citrus Belt Gas Company having applied to the Railroad Commission for authority to increase its rates for gas, a hearing having been held, the matter submitted and ready for decision:

The Railroad Commission of the State of California hereby finds as a fact that the rates for gas now charged by Citrus Belt Gas Company are not fair or reasonable rates in so far as they do not

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provide sufficient revenue to meet present costs of operation and in so far as they differ from the rates herein established, which rates, under present conditions, are just and reasonable rates for gas.

Basing its order upon the foregoing findings of fact and on the other findings of fact contained in the opinion which precedes this order;

It is hereby ordered, that Citrus Belt Gas Company be and it is hereby authorized to charge and collect the rates for gas service in the localities respectively set forth in the following schedules of rates, which rates shall be applicable to all gas service for which bills are rendered on and after the date of this order:

Schedule No. 1—General Service.

City of Redlands and Vicinity.

First	400 cubic feet per meter per month or less	$1 00
Next	2,600 cubic feet per meter per month	2 00 per 1,000 cubic feet
Next	7,000 cubic feet per meter per month	1 75 per 1,000 cubic feet
All over	10,000 cubic feet per meter per month	1 50 per 1,000 cubic feet

Schedule No. 2—General Service.

City of Corona and Vicinity.

		Gross	Net	
First	500 cu. ft. per meter per month or less	$1 50	$1 40	
Next	2,500 cu. ft. per meter per month	2 25	2 15	per 1,000 cu. ft.
Next	7,000 cu. ft. per meter per month	----	2 00	per 1,000 cu. ft.
All over	10,000 cu. ft. per meter per month	----	1 75	per 1,000 cu. ft.

The net rate applies if bills paid within ten days of presentation; otherwise the gross rate applies.

Schedule No. 3—General Service.

Colton and Vicinity.

First	500 cubic feet per meter per month or less	$1 00
Next	4,500 cubic feet per meter per month	1 75 per 1,000 cu. ft.
Next	5,000 cubic feet per meter per month	1 60 per 1,000 cu. ft.
All over	10,000 cubic feet per meter per month	1 50 per 1,000 cu. ft.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twentieth day of September, 1920.

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DECISION NO. 8124.

IN THE MATTER OF THE APPLICATION OF BOULDER CREEK ELECTRIC LIGHT AND WATER COMPANY, A CORPORATION, AND MOUNTAIN LIGHT AND WATER COMPANY, A CORPORATION, AND W. H. BISSELL AND J. C. HUGHES.

Application No. 5930.

Decided September 22, 1920.

BY THE COMMISSION.

SECOND SUPPLEMENTAL ORDER.

Whereas, applicants in the above entitled matter report that by inadvertence and mistake, an error was made in the description of the real property owned by and intended to be granted by Mountain Light and Water Company to Boulder Creek Electric Light and Water Company (now Santa Cruz County Utilities) in that a certain lot heretofore owned by Mountain Light and Water Company was included in the description; and

Whereas, Mountain Light and Water Company is no longer the owner of said lot, which is described herein, and therefore asks the Railroad Commission to modify its order in Decision No. 8008, dated August 26, 1920; now, therefore,

It is hereby ordered, that the order in Decision No. 8008, dated August 26, 1920, be and it is hereby modified so as to permit Mountain Light and Water Company to make, execute and deliver its grant deed to Santa Cruz County Utilities conveying all of the properties described in Exhibit "A" attached to Decision No. 8008, except the following:

"SIXTH. Also, the following tract of land, Commencing at the northeastern corner of the lot conveyed by Brookdale Land Company to May L. Halstead by deed dated May 15, 1909, and recorded on the day of in Volume of Deeds, page records of said Santa Cruz County, which lot is situate on the west side of Cascade Street in said Town of Brookdale, and running thence North 18° 45' East (Mag) a distance of about 110 feet to the southeastern corner of the lot conveyed by J. H. Logan and W. T. Jeter to Clara S. Ward by deed dated March 28, 1908, and recorded on the day of in Volume 203 of Deeds, page 344, records of said Santa Cruz County; thence running North 71¼° West to the center line of Clear Creek, thence Southerly following the center line of said Clear Creek to a point where said center line of said Clear Creek intersects a line drawn North 57¾° West (Mag) from the point of commencement; thence along said line South 57¾° East to the point of commencement. Being designated as Lot 11, Block F as the same is so marked and designated on the Map of Brookdale, Santa Cruz County, California, printed by the Union Lithograph Company of San Francisco, California; together with all improvements thereon."

The foregoing property shall be excluded from the mortgage and/or deed of trust which Santa Cruz County Utilities has been authorized to execute.

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It is hereby further ordered, that the order in Decision No. 8008, dated August 26, 1920, as amended, shall remain in full force and effect, except as modified by this second supplemental order.

Dated at San Francisco, California, this twenty-second day of September, 1920.

DECISION No. 8125.

IN THE MATTER OF THE APPLICATION OF E. D. THOMAS FOR SALE OF TELEPHONE SYSTEM TO J. MAX LANDRAM.

Application No. 5017.

Decided September 23, 1920.

BY THE COMMISSION.

ORDER.

E. D. Thomas, who owns and operates a telephone system in and about the town of Livingston, Merced County, having asked for authority to sell his system to J. Max Landram for the sum of $2,000, the property to be transferred being described as follows:

Switchboard, telephone booth, 1 chair.
All lines consisting of about
1,000 4 x 6 x 30-foot redwood poles,
40 40-foot poles,
60 30-foot poles (all set) with crossarms and insulators,
200 miles wire,
60 telephones.

And it appearing to the Commission that this is not a case in which a public hearing is necessary and that the application should be granted;

It is hereby ordered, that the application herein be and the same hereby is granted; provided, that the consideration given for the property authorized to be transferred shall not be taken before this Commission, or any other public body, as representing for rate fixing or other purposes the value of the property transferred; and provided further, that the authority herein granted shall apply only to such transfer as is made on or before December 31, 1920.

The authority herein granted shall be and become effective only after applicants shall have filed with the Railroad Commission a copy of the bill of sale conveying the property herein authorized to be transferred.

Dated at San Francisco, California, this twenty-third day of September, 1920.

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Decision No. 8144.

IN THE MATTER OF THE APPLICATION OF SAN FRANCISCO-RICHMOND FERRY COMPANY, A CORPORATION, FOR AN ORDER AUTHORIZING THE ISSUE OF STOCK OF THE PAR VALUE OF EIGHT HUNDRED THOUSAND DOLLARS.

Application No. 5097.

Decided September 24, 1920.

STOCK ISSUES—COMMISSIONS ON SALES—OFFICIAL OF UTILITY ACTING AS AGENT.—In authorizing the issuance of stock by a public utility, the Commission refuses to permit the president of the company to act as agent in the sale of such stock when it is proposed to sell stock at par, the company to net 85, the balance to cover sales costs, organization expenses, etc. It is held that the president should either enter into a contract to purchase such stock outright at 85 or the company pay actual cost of selling, organization and engineering fees.

STOCK ISSUES—TERMINAL PROPERTIES—PURCHASE OF.—An issuance of $90,000 par value of stock to organizers of a utility in exchange for certain terminal properties will not be authorized until it can be shown that applicant is able to finance its proposed enterprise.

STOCK ISSUES—PROSPECTUS—ERRONEOUS STATEMENTS IN.—In authorizing the issuance of stock by a newly organized public utility whose prospectus is shown to contain a number of erroneous and misleading statements, the Commission requires that such prospectus be entirely revised so as to set forth more clearly facts as they exist at the present time.

PUBLIC UTILITY STOCK AND BOND ISSUES—SUCCESS OF ENTERPRISE.—The Commission calls attention of the public proposing to invest in utility stock or bonds that such investors must continue to take the risk of the success of the venture the same as prior to the existence of the Public Utilities Act, as such act can not insure public utilities against failure in case good judgment is not exercised in financing and construction, and that the most the investor may expect is that the Commission will permit the collection of fair rates, under normal conditions, which will provide a reasonable return on money wisely expended in serving the public.

STOCK SALES—ACCEPTANCE OF PROMISSORY NOTES FOR.—The Commission refuses applicant's request that it be permitted to accept promissory notes or other paper in exchange for stock, but holds that such stock should be sold for cash only and all money obtained therefrom to be deposited in bank or banks to be expended only as hereinafter directed by the Commission. If sufficient stock is not sold all money collected is to be returned to subscribers less reasonable organization expenses and sales costs.

Applicant authorized to issue $800,000 par value of its common capital stock to be sold at not less than 85, provided that each prospective stock subscriber shall be furnished with a copy of this decision and a list containing post-office address and amount of subscription of each subscriber shall be filed with the Commission.

I. M. Golden, for Applicant.

Pillsbury, Madison and Sutro, by *E. S. Pillsbury*, for East Shore Company, Protestant.

EDGERTON, *Commissioner*.

OPINION.

San Francisco-Richmond Ferry Company asks permission to issue $800,000 of stock and sell such stock for not less than 85 per cent of its par value, for the purpose of establishing an automobile ferry service between Richmond and San Francisco.

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Applicant was organized in October, 1919, with an authorized capital stock issue of $1,000,000, divided into 10,000 shares of the par value of $100 each. It has filed a statement in this proceeding showing that it intends to issue $800,000 of its stock for the following purposes:

	Shares
For steel and fireproof boat	5,000
In exchange for necessary water front land (out of which will be paid the architect and engineering fees, amounting to 300 shares)	900
Cost of lower and upper apron, including supports and operating machinery, ferry slips, elevated approach for upper apron, wharf and bulkheading	500
Cost of two-story concrete depot, about	500
Selling stock, printing, advertising, corporation expenses	1,000
Working capital (for purchase of oil and supplies for boat, salaries and wages of crew, etc.)	100
Total	8,000

This statement indicates that applicant intends to issue $130,000 of its stock to cover cost of organization, selling stock and engineering fees. The request is made that M. Emanuel, president of the company, be permitted to act as the agent of applicant in charge of the sale and distribution of the stock. He testified at the hearing that applicant intended to sell part of its stock at par, to net the corporation at least 85, and that 15 per cent of the proceeds, the difference between par and 85, will be used to pay engineering fees, defray cost of selling stock and pay all organization expenses. Either M. Emanuel should enter into a firm contract to purchase the stock at 85 or the company should pay the actual cost of selling the stock, pay actual engineering fees and organization expenses, it being of course assumed that such fees and costs will be reasonable. I am unable to concede the propriety of the appointment of the president of a company as its fiscal agent and permit him to absorb 15 per cent of the proceeds from the sale of the stock without the company in return being given definite assurance by way of an underwriting agreement or otherwise covering the sale of the stock. The order herein will provide that all moneys obtained from the sale of stock shall be deposited with a bank or banks and expended only for such purposes as the Railroad Commission may hereafter authorize.

Boat.

The record shows that it is applicant's intention to acquire a new steel fireproof double-deck ferry boat 230 feet long and 64 feet wide, having a draft of 12 feet with propellers fore and aft. The testimony shows that the boat is to be of about the same size as the Western Pacific Railroad Company's ferry steamer "Edward T. Jeffrey," but

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to be so constructed that automobiles may be carried on the lower and upper decks and have a carrying capacity of 110 machines. It is to have a maximum speed of 15 knots per hour. It is of record that the "Edward T. Jeffrey" was built in 1912 at a cost of $275,000, and that in January, 1920, it would have cost $686,000 to build the boat.

Mr. H. C. Holmes, consulting civil engineer, witness for protestant, is very positive that a boat, such as proposed by applicant, will cost more than twice the cost of the "Edward T. Jeffrey," and may even run as high as $800,000, due, first, to the increase in construction costs since 1912, and second, to the fact that it will have to be built stronger than the ordinary ferry steamer in order that automobiles may be carried on the upper deck. Applicant offered no competent testimony showing that it can acquire or construct its boat through the use of the proceeds from $500,000 of stock. While a plan of the boat has been filed, if for any reason such plan is changed, a revised plan shall be filed with the Commission, as well as a copy of the specifications which applicant may furnish contractors when asking them to file bids for the construction of the boat.

Richmond Terminal.

Ellis Landing and Dock Company, which has caused, or whose stockholders have caused, applicant corporation to be organized, has agreed to transfer free and clear of all encumbrances, the following terminal properties in Richmond:

Lots Nos. 18, 19, 20, 21, 22 and 23, block No. 6, Ellis Landing subdivision, Richmond, California, as delineated and designated upon that certain map entitled "Map of Ellis Landing subdivision, city of Richmond, Contra Costa County, California," filed on the eighth day of August, 1913, and "Amendment to Map of Ellis Landing subdivision, filed August 8, 1913, city of Richmond, Contra Costa County, California," also filed in the office of the county recorder of said county and state aforesaid on the twenty-eighth day of October, 1913.

In exchange for these properties, applicant asks permission to issue $90,000 of its stock. It appears that $30,000 of this stock will be delivered by Ellis Landing and Dock Company to applicant's engineers, to cover their compensation. Applicant has also agreed at its own cost and expense, to bulkhead block 6, so as to retain the dredged material and to fill in the land embraced by block 6, in a good and workmanlike manner. The cost of bulkheading is estimated by one of applicant's engineers at approximately $17,061. The order herein will not authorize the issue of any stock at this time in payment for terminal properties. What amount of stock may be issued for these properties will be considered in a supplemental order if applicant can finance this enterprise.

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Channel.

The record shows that the proposed harbor development of Richmond calls for, among other things, the dredging of a channel 600 feet wide by 24 feet deep, extending from a point about one-quarter mile beyond the Santa Fe wharves southerly around Point Potrero, thence northeasterly to the inner harbor project a distance of about 3¼ miles. The federal government is to bear one-half the cost of dredging this channel and the city of Richmond the other half. To date, a channel 200 feet wide and 24 feet deep at mean low water on May 19, 1919, the date of completing the work, has been constructed. The channel is in an incomplete state. From the Santa Fe wharves to Point Potrero, it is entirely unprotected, while on its easterly side from Point Potrero to its terminus near Ellis Landing, there is a riprap wall, and on the opposite side for a certain distance there is a mud wall 400 feet away from the channel. Some soundings taken under the direction of H. C. Holmes indicate that the channel has filled in somewhat since its completion, but of course, not to such an extent that it would interfere with the operation of a ferry boat drawing 12 feet of water. Until the channel is completed, or at least widened out to 500 feet, W. H. Healy of Healy-Tibbetts Company, believes that it is impractical to successfully operate a ferry boat such as proposed by applicant through the channel on account of storms and the difficulty of passing dredgers which will have to operate continuously to keep the channel open. The speed at which the boat may be safely permitted to pass through the channel in its present condition is uncertain. Witnesses for protestant take the position that the speed should not exceed six miles an hour; E. E. Winslow, Colonel, Corps United States Army Engineers, advises that the boat may be operated at about five knots or nearly six miles an hour, while George S. Hill, one of the Commission's engineers, suggests a speed of ten miles an hour. Colonel Winslow reports that the government usually prescribed rules for the navigation of vessels in a channel such as this. If the boat is restricted to a speed of six miles an hour, it would be impossible for it to make the trip to San Francisco in forty-five minutes, the time estimated by applicant, for it would take practically thirty minutes to pass through the channel, a distance of three and one-quarter miles out of the total distance of nine miles from Ellis Landing to the Ferry Building, San Francisco.

Terminal Facilities.

At present there are no terminal facilities whatsoever at Ellis Landing. The channel dredged by the federal government and the city of Richmond extends to within 900 feet of Ellis Landing. From the

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terminus of the channel to Ellis Landing, the depth of the water varies from 15 feet to 4 feet at low tide. This 900-foot section must be dredged, the ferry slip, aprons, necessary supports and operating machinery built and acquired. Fred H. Tibbetts, one of applicant's engineers, estimates the cost of dredging the channel, building the ferry slip, aprons, etc., at $32,270, while H. C. Holmes is of the opinion that the cost of dredging the channel and providing for a satisfactory terminal will range from $60,000 to $100,000.

As part of its terminal, applicant intends to build a two-story concrete warehouse 90 feet square. The cost of this it estimates at $50,000, an amount which George S. Hill, one of the Commission's assistant engineers, finds will not be sufficient to build an elaborate reinforced concrete warehouse, but may be adequate to construct a satisfactory shelter.

Applicant has not yet made any definite arrangements for the use of any dock or ferry slip in San Francisco, but hopes to be able to land its boat at or near the Ferry Building.

Operating Revenues and Expenses.

Various estimates of operating revenues and expenses have been submitted. While the expenses may be more or less accurately forecasted, and range from $275,000 to $300,000 a year, the operating revenues are entirely problematical. In the Railroad Commission's Exhibit No. 1, prepared by George S. Hill, it is reported that M. Emanuel, president of San Francisco-Richmond Ferry Company, estimates the operating revenues at $600,425 per annum, and that Mr. Ransome, one of applicant's engineers, believes that the revenue will be in the neighborhood of $300,000 the first year.

It is obvious that the operating revenues are dependent upon a number of factors which are more or less uncertain at this time, among others being the frequency of trips and the nature and size of the boat which applicant will finally put into service. In this connection, we might call attention to the fact that the operating revenues of the Martinez-Benicia Ferry Company for 1919 are reported at $114,948.25; of the Richmond-San Rafael Ferry at $83,697.87; and of the Rodeo-Vallejo Ferry at $127,841.02.

Prospectus.

There has been filed with the Commission a copy of applicant's proposed prospectus which it intends to use in connection with its stock sales campaign. This prospectus contains a number of erroneous and misleading statements and should be entirely revised so as to set

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forth more clearly facts as they exist today and not refer to conditions of years ago or to conditions that will exist when Richmond Harbor improvements are finally completed.

Throughout the prospectus there is constant reference to the city of Richmond having a population of 30,000, whereas the 1920 census report shows a population of 16,843. There is also a reference to the overcrowding of present ferry boats, though it is a matter of common knowledge that such overcrowding exists only during the rush hours in the mornings and afternoons and, as far as automobile transportation is concerned, on Saturdays, Sundays and holidays. Passengers to the number of 40,000,000 are said to be carried annually by ferries operating between Oakland and San Francisco, but no mention made of the population of Oakland, Berkeley, Alameda, Emeryville, Piedmont and other communities, as compared with the population of Richmond, or that the 40,000,000 includes Southern Pacific and Western Pacific steam train passengers destined to and from San Francisco. The fact that there may be a heavy ferry traffic between Oakland and San Francisco does not warrant any one to draw the conclusion that a profitable ferry business can be developed in the immediate future between Richmond and San Francisco. The entire prospectus is in need of revision.

In this connection it may be well to call attention to section 52-G of the Public Utilities Act, which reads:

> No provision of this act, and no deed or act done or performed under or in connection therewith shall be held or construed to obligate the State of California to pay or guarantee, in any manner whatsoever, any stock or stock certificate or bond, note or other evidence of indebtedness authorized, issued or executed under the provisions of this act.

The Commission has repeatedly called the attention of those who intend to invest in public utility stocks and bonds that the investors in such stocks and bonds must continue to take the risk of success of the venture just as they have always done prior to the enactment of the Public Utilities Act, and that the Public Utilities Act can not insure public utilities against failure, in case good judgment is not exercised in the financing and construction thereof.

The most that the investor may expect from the Commission is that the utility will be permitted to collect fair rates and that such rates under normal conditions will be sufficient to yield a fair return on the money wisely and sanely expended in serving the public.

Applicant asks permission that it be permitted to accept in payment for its stock, cash or promissory notes or other good and merchantable paper. I do not believe that applicant's request in this respect should be granted. I am of the opinion that its stock should be sold for cash

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only and that all moneys obtained from the sale of the stock be deposited in a bank or banks and expended only for such purposes as the Commission may from time to time authorize. No stock shall be issued until fully paid for. In the event that the company is not able to sell sufficient stock to carry out its project, the moneys collected should be returned to the stock subscribers or purchasers, less such an amount as the Commission may deem to be proper to cover organization expenses and expenses incident to the sale of stock. If the promoters have confidence in this enterprise, they should be willing to temporarily, at least, pay engineering and organization, stock sale and other expenses.

I do not believe that applicant should be permitted to undertake the construction of a boat or any other necessary improvements until it is fairly certain that it will be able to obtain enough funds to assure the completion and successful operation of the entire project and place its boat in service.

Applicant intends to operate its ferry boat between San Francisco and Richmond under a franchise granted by the board of supervisors of Contra Costa County to Ellis Landing and Dock Company, its successors and assigns. This franchise was assigned by Ellis Landing and Dock Company to applicant.

I herewith submit the following form of order:

ORDER.

San Francisco-Richmond Ferry Company, having applied to the Railroad Commission for permission to issue $800,000 of stock, a public hearing having been held, and the Commission being of the opinion that the money, property or labor is reasonably required for the purposes indicated in the foregoing opinion, and that the expenditures for such purposes are not in whole or in part reasonably chargeable to operating expenses or to income;

It is hereby ordered, that San Francisco-Richmond Ferry Company be and it is hereby authorized to issue $800,000 par value of its common capital stock.

The authority herein granted is subject to the following conditions:

1. The stock herein authorized to be issued shall be sold by applicant for cash at not less than 85 per cent of its par value. No stock or stock certificates shall be issued or delivered until fully paid in cash by the subscriber therefor. No stock shall be issued in payment for terminal lands or properties, except as authorized by a supplemental order herein.

2. All proceeds obtained from the sale of the stock shall be deposited in a bank or banks and expended only for such purposes as the Railroad Commission may hereafter authorize.

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3. Applicant shall file with the Commission the name and post office address of each stock subscriber, with the amount of stock subscribed, and payments made by such subscriber.

4. Prior to the asking for bids from contractors, or the beginning of construction, applicant shall file with the Commission its final plans and specifications of its proposed ferry boat, slip, terminal and other construction.

5. Prior to accepting a stock subscription, applicant shall furnish each prospective stock subscriber with a copy of this decision. Each application for stock shall be accompanied by a statement from the subscriber that he or she has read the Commission's decision. If any prospectus is issued and distributed, a copy of such prospectus shall be filed with the Commission.

6. The authority herein granted will not become effective until San Francisco-Richmond Ferry Company has filed with the Railroad Commission a stipulation duly authorized by its Board of Directors, declaring that San Francisco-Richmond Ferry Company, its successors and assigns, will never claim before the Railroad Commission or any court or other public body any value for the rights and privileges granted under the franchise assigned to it by Ellis Landing and Dock Company in excess of the amount actually paid to the County of Contra Costa as consideration for the grant of such franchise, which amount shall be stated in the stipulation, and shall have received from the Railroad Commission a supplemental order declaring that such stipulation has been filed in form satisfactory to the Railroad Commission.

7. San Francisco-Richmond Ferry Company shall keep such record of the issue and sale of the stock herein authorized and of the disposition of the proceeds as will enable it to file, on or before the twenty-fifth day of each month, a verified report as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

8. The authority herein granted shall apply only to such stock as may be issued, sold or delivered on or before December 30, 1920.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-fourth day of September, 1920.

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Decision No. 8145.

IN THE MATTER OF THE APPLICATION OF JAMES A. MURRAY, WM. G. HENSHAW AND ED FLETCHER, COPARTNERS, DOING BUSINESS UNDER THE NAME AND STYLE OF THE CUYAMACA WATER COMPANY, FOR AN ORDER AUTHORIZING AND PERMITTING AN INCREASE IN THE RENTALS, TOLLS AND CHARGES FOR WATER FURNISHED BY THEM AND SERVICE RENDERED BY THEM IN FURNISHING WATER IN THE COUNTY OF SAN DIEGO.

Application No. 4515.

IN THE MATTER OF THE APPLICATION OF JAMES A. MURRAY, WM. G. HENSHAW AND ED FLETCHER, DOING BUSINESS UNDER THE FIRM NAME AND STYLE OF THE CUYAMACA WATER COMPANY, FOR AN ORDER AUTHORIZING AND PERMITTING THEM TO PLACE A SURCHARGE UPON THEIR PRESENT RENTALS, TOLLS AND CHARGES FOR WATER FURNISHED BY THEM, SUCH SURCHARGE BEING NECESSARY ON ACCOUNT OF THE INCREASED COST OF OPERATION.

Application No. 4670.

ROBERT ROSS ET AL.

vs.

JAMES A. MURRAY ET AL.

Case No. 1272.

Decided September 24, 1920.

WATER UTILITIES—CONTRACT RATES—JURISDICTION.—A contention by protestants in an application to increase water rates, that the Commission has no jurisdiction to change rates established by contract, will not be considered in view of the fact that such question was disposed of in the initial proceeding of the above applicant upon which decision no rehearing was asked for by protestants and also that such question was not raised by protestants in sixteen subsequent formal proceedings to which applicant was a party.

WATER SERVICE—ADDITIONAL FACILITIES—RATES OF RETURN.—A water utility will not be required to construct additional impounding facilities when it is shown that though such system were developed to its fullest capacity, rates could not be established which would provide a return upon such investment due to the value of the service limiting the amount of revenue which could possibly be provided thereby.

VALUATION—WATER PROPERTIES—RETURN ON.—The value of a water distributing system will not be considered in a rate fixing inquiry when it is conclusively shown that to establish rates which would provide a reasonable return upon such valuation would necessitate the establishment of a schedule so high as to be unfair to consumers and which would result in a decrease in revenues of applicant through material losses in sales.

MAINTENANCE—ALLOWANCE FOR—DEPRECIATED CONDITION OF PLANT.—Setting aside a large sum annually for maintenance of a transmission flume which has been in service for a period of thirty-five years and is practically entirely depreciated is held to be economically unsound. Such amount could be used far more beneficially under a plan for the gradual replacement of the existing flume.

RATE OF RETURN—LOSS OF LARGE CONSUMER—EFFECT ON RATES.—The failure of applicant to sell large quantities of water to the city of San Diego for its municipal distributing system can not justify an unreasonable rate to the company's other consumers, as such loss was not the fault of the balance of the consumers of applicant, nor does it justify the establishment of an excessive rate to them.

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While the value of service of applicant will not permit of the establishment of rates which will provide a full return on the value of applicant's system, a substantial increase in rates can be safely absorbed which will provide sufficient revenue to meet necessary and reasonable operating expenses, replacement annuity and certain interest upon the investment. Revised schedule to become effective for bills rendered subsequent to September 1, 1920.

Ed Fletcher, C. C. Crouch, A. H. Sweet, H. A. Encell and *B. A. Etcheverry*, for Applicant.

Jesse George and *C. S. Preston*, for various consumers in El Cajon Valley.

Marcus W. Roberts, for consumers in El Cajon.

W. C. Earle and *S. J. Higgins*, for City of San Diego.

Jesse George, C. S. Preston and *D. F. Glidden*, for consumers in Granada, Kensington Park and Normal Heights.

J. C. Scott, for La Mesa Mutual Water Company.

J. H. Halley and *Haines and Haines*, for Lemon Grove Mutual Water Company.

Haines and Haines and *George Russell*, for Fairmont Water Company.

Arthur T. French, for the City of East San Diego.

John G. Mitts, for Marlett Mutual Water Company.

James E. O'Keefe, for the City of La Mesa.

J. M. C. Warren, for Helix Mutual Water Company.

D. G. Gordon, E. D. Noble, F. J. Lea, H. A. Marshall, Wm. Steilberg, O. D. Wilhite, E. W. Moyer and *F. D. Waite, in propria persona.*

MARTIN, *Commissioner.*

OPINION.

The above entitled proceedings, which were consolidated for hearing and decision, involve the rates, rules, regulations, practices of and service rendered by James A. Murray, William G. Henshaw and Ed Fletcher who operate a public utility water system in San Diego County, under the fictitious name and style of Cuyamaca Water Company, and by which name it is hereinafter sometimes designated and referred to.

In Application No. 4515, applicants allege in effect that the income derived from the present rates, which were authorized by Decision No. 4058 of this Commission and became effective in April, 1917, is insufficient to pay the costs of maintenance and operation, and a sufficient increase is asked to not only cover these costs, but also to yield a reasonable return upon the investment and provide for depreciation.

Protests to the granting of this application or the establishment of increased rates were made by many of applicant's consumers. A large number based their protests upon the grounds that they were in possession of certain contracts executed by and between themselves and the San Diego Flume Company, the predecessor of the Cuyamaca Water Company, over which contracts these protestants claim the Railroad Commission has no jurisdiction as to rates. Other protests were made on the basis that the company serves water to consumers other than contract holders, much in excess of the safe yield of the

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system. Still another protest was urged upon the grounds that certain findings and rates set forth in the above mentioned decision (Decision No. 4058), are unjust, unreasonable and discriminatory.

In Application No. 4670, Cuyamaca Water Company asked for an order authorizing and establishing a surcharge, said surcharge to be added to the rates then in effect pending the Commission's decision in Application No. 4515 herein, it being alleged that due to greatly increased costs of labor and material, such a surcharge was necessary to cover the increased cost of operation. This application was filed June 12, 1919, and a public hearing was held in San Diego on July 22, 1919, at which applicant stated that in addition to asking for an increase due to the increased cost of labor and material, it desired a surcharge to meet an emergency expenditure necessitated by the reconstruction of its so-called El Monte pumping plant, the reconstruction of which, it was alleged, was necessary in order to deliver an adequate supply of water for irrigation purposes during the irrigation season of 1919. All phases of the situation were gone into at the hearing and the matter was submitted. On August 11, 1919, the Commission issued its order, Decision No. 6548, in this matter, authorizing a surcharge of 2 cents per 100 cubic feet in addition to the rates theretofore collected, to apply to all meter readings subsequent to the date of the order, and remain effective until January 1, 1920.

Petitions for a rehearing in this matter were subsequently filed in behalf of various consumers, and the question presented herein with reference to Application No. 4670 is whether or not a rehearing should be granted.

The complaint in Case No. 1272 is directed against the rates for water charged domestic consumers in Normal Heights and Kensington Park, alleging in effect that said rates are excessive, unjust, unreasonable and discriminatory, and also that the water furnished consumers in these districts has been at times foul, impure and unfit for use.

Public hearings in the matters of Application No. 4515 and Case No. 1272, and arguments on petition for rehearing of Application No. 4670, were held in San Diego on January 21, 22, 23 and 24, and February 24, 25, 26 and 27, 1920. Subsequently briefs were filed, in accordance with stipulation at the hearing, and the matter is now ready for decision.

Applicants herein have been before this Commission many times in various formal and informal proceedings relating to rates, adequacy of service, available water supply, transfer, efficiency of management and other matters. One of the first proceedings before this Commission was in 1912 and 1913, in Application No. 118, *In the matter of*

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the application of James A. Murray and Ed Fletcher for an order authorizing and permitting an increase in the rentals, tolls and charges for water furnished by them and service rendered by them in furnishing water in the county of San Diego, State of California, (Vol. 2, page 464, Opinions and Orders of the Railroad Commission of California). This Commission in its Decision No. 536, decided that applicant herein was operating a public utility water company, subject to the jurisdiction of this Commission, and established a schedule of rates which have been in effect, except as subsequently modified by this Commission, until this time.

In the various other proceedings which have been before this Commission, practically every phase of the operation of this company has been investigated.

The following is a list of these proceedings, indicating the nature of each:

Case No. 304—Action brought in regard to service. Decision issued January 8, 1913. Decision No. 400.

Application No. 118—Involving rates and service. Decisions issued August 26, 1912, March 28, 1913, July 1, 1913, and June 26, 1915. Decisions Nos. 193, 536, 764 and 2529, respectively.

Application No. 756—Involving rates. Decision issued December 31, 1913. Decision No. 1186.

Case No. 631—Commission's investigation, wholesale rates. Decision issued August 18, 1914. Decision No. 1738.

Case No. 716—Action brought in regard to rates. Decision issued June 26, 1915. Decision No. 2528.

Case No. 724—Action brought in regard to service. Decision issued June 26, 1915. Decision No. 2526.

Application No. 1231—Involving rates. Decisions issued June 26, 1915, August 4, 1915, and January 25, 1917. Decisions Nos. 2525, 2671 and 4058, respectively.

Case No. 1013—Action brought in regard to service. Decision issued April 27, 1917. Decision No. 4274.

Application No. 1130—Involving sale and issuance of securities. Decision issued June 24, 1914. Decision No. 1639.

Application No. 1432—Valuation for sale to district. Decisions issued June 26, 1915, and August 4, 1915. Decisions Nos. 2531 and 2669, respectively.

Application No. 1482—Valuation for sale to city of San Diego. Decisions issued June 26, 1915, and August 4, 1915. Decisions Nos. 2527 and 2670, respectively.

Application No. 2759—For permission to renew notes. Decision issued March 21, 1917. Decision No. 4195.

Application No. 2893—To mortgage property. Decision issued March 22, 1918. Decision No. 5222.

Case No. 1057—Action brought in regard to inadequate service. Decision issued February 25, 1919. Decision No. 6142.

Case No. 1280—Action brought in regard to service. Decision issued May 9, 1919. Decision No. 6305.

Reference is made to these proceedings, which, by stipulation, were made a part of the record herein, for a discussion of the various phases of the operation of this utility, its history, and for a description of its plant. The record in Application No. 118, *supra*, is especially complete with respect to the company's history, its contractual relations with its consumers, and information relating to the

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dedication of its water supply to public use. It is therefore unnecessary to again discuss the question of the jurisdiction of this Commission and other historical and descriptive features.

In view of the fact, however, that representatives of some of the consumers questioned the jurisdiction of this Commission in these matters, it appears advisable to point out that the applicants herein have heretofore been before the Commission in some seventeen formal proceedings and a much larger number of informal proceedings. As far back as 1913 this Commission in its Decision No. 536, in Application No. 118, *supra*, established rates to be charged by applicants for water delivered to their consumers. Again, in 1917, applicants herein applied for an increase in rates, which was granted by this Commission in its Decision No. 4058, *In the matter of the application of James A. Murray and Ed Fletcher for an order fixing rates to be charged and collected for water furnished and to be furnished by them, and service rendered by them in furnishing water, and in furnishing, carrying and conveying water in the county of San Diego, State of California.* (Application No. 1231, Vol. 12, page 367, Opinions and Orders of the Railroad Commission of California.)

The seventeen formal proceedings above referred to may be classified as follows:

Proceedings involving service	5
Proceedings involving rates	6
Proceedings involving issuance of notes, stocks or securities	3
Proceedings involving valuation for condemnation purposes	2
Applications withdrawn at request of company	1
Total	17

In none of these proceedings heretofore had has the jurisdiction of this Commission been questioned, except in Application No. 118, *supra*, decided March 28, 1913, in which proceeding no petition for rehearing was filed by either applicants or consumers.

One of the two proceedings above mentioned involving valuation for condemnation purposes, was filed by the La Mesa, Lemon Grove and Spring Valley Irrigation District, which embraced some of the lands now served by applicants.

During the seven-year period since the issuance of this Commission's first decision establishing rates for this system, the owners have expended approximately five hundred thousand dollars for improvements and additions. Applicants herein, with a knowledge of the fact that this Commission had found that they were operating as a public utility, expended this large sum of money for additions and betterments, and during the period while this money was being expended, the consumers of this system, with knowledge of the proceedings before

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this Commission and the expenditure of money by applicants, did not assert their rights of appeal from the Commission's orders, and, indeed, in all except one proceeding, did not even file application for rehearing with this Commission.

In regard to the rehearing in Application No. 4670, the evidence shows that an emergency water shortage did occur which required the rehabilitation of the El Monte pumping plant and its operation at the cost of a considerable sum to the company. Furthermore, as shown by the order herein, applicant is entitled to a materially increased rate, at least partially necessitated by largely increased costs of operation.

It is clear, after a consideration of the evidence, that the granting of the emergency surcharge established in Decision No. 6548, in Application No. 4670, was just, and the application for rehearing will therefore be denied.

The proceedings herein involve not alone the rates and charges of this company, but also the adequacy of service, the diligence of the company in expanding and enlarging its water resources and plant to such an extent as would give assurance of a sufficient water supply to induce the development of the territory served by it, the economic advisability of the reconstruction of some of its existing impounding reservoirs, and the construction of additional impounding reservoirs to develop and make available the entire water supply claimed by applicant.

The establishment of a rate schedule for applicant requires that a study be made of the value of the service rendered to the consumers, and the ability of the consumers to pay the rates established, in addition to analyzing cost of operation, the depreciation of the plant, and interest return.

It was contended by representatives of some groups of consumers that the service rendered by applicant was inadequate and in some cases intermittent, that proper care had not been taken by applicant to maintain its system in efficient operating condition, and that therefore operating costs were unduly high and more than should be borne by the consumers.

The Cuyamaca Water Company delivers water for domestic and irrigation purposes to a territory comprising the El Cajon Valley, the Lemon Grove, Spring Valley and La Mesa districts, a portion of the city of East San Diego and the Normal Heights and Kensington Park districts lying immediately east of the city of San Diego. The district served is very sparsely settled, requiring a very large investment in the distribution system for each consumer. The principal crops produced on the area irrigated are lemons, oranges and vegetables. Applicant delivers water to some 850 consumers for domestic and irrigation

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purposes. The area irrigated is approximately 3300 acres. To deliver water to this comparatively small number of consumers and small irrigated area requires the installation of nearly fifty miles of pipe lines and thirty-three miles of flume.

The San Diego River, from which applicant obtains its water, ordinarily has a considerable flow in the rainy season, and practically none during the summer season. It is, therefore, necessary for applicant to impound the available water supply during the rainy season, hold it in storage until summer, and then transmit it to the consumer. In order to do this it has been necessary to construct two large impounding reservoirs, having a combined capacity of approximately 19,000 acre-feet, with a wooden transmission flume some thirty-three miles in length, and a distribution system approximately fifty miles long, as stated above. The district served has developed very gradually, and it appears will continue to develop provided a water supply can be obtained at reasonable expense. A comparatively large area of land suitable for cultivation is still available under this system. If this land is utilized, water consumption would be increased, with a consequent increase in revenue.

It has been urged by certain of the consumers appearing at the hearing herein that the company has been lax in proceeding with the development of its water supply and in its efforts to obtain new consumers. It is contended that if applicant had diligently proceeded to develop its business, the resultant use of water would have been sufficient to produce to the company a fair return upon its investment at the present or even lower rates.

The Commission's engineers submitted an estimate of the cost of creating additional storage sufficient to develop the water supply of the San Diego River to its safe yield. This estimate shows that the water thus developed would cost approximately 4½ cents per 100 cubic feet. This cost does not include the cost of operating the system or any cost of transmitting and delivering the water to consumers.

Some of the consumers contend that it is economically impossible for them to pay a rate in excess of the present rate of 2½ cents per 100 cubic feet for irrigation. If this contention be correct, clearly it would be economically unsound on the part of any investor to expend the money necessary to construct an additional reservoir. Safe yield studies of the San Diego River indicate that even with this improvement the system could not be depended upon to supply water for the irrigation of more than 7000 acres.

A careful analysis of the evidence submitted shows that if present rates are continued in effect, and that if the company proceeded with the construction of additional impounding facilities, it would lose

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money upon each additional acre which it served. It could not hope to make the construction of these additional impounding facilities compensatory, even though it irrigated each year to its safe service capacity.

Inasmuch as a large area of land included within the district served by applicant could be made highly productive if an adequate water supply were available, thus materially increasing the agricultural prosperity of San Diego County, all additional water supplies should be utilized. Such development will not alone enhance the value of the land of the present consumers under this system and add to the wealth of the community, but will also create a market for the commodity which this utility delivers.

It is apparent, however, that to attract money for the necessary impounding facilities, the investor must be assured of a reasonable interest return. To attract this necessary capital, those benefitted by this additional water supply and consequent development, must pay an adequate rate to yield the necessary return. It is obvious that had Cuyamaca Water Company heretofore developed its water resources to their capacity, the resultant use of water and the consequent income would have been insufficient to yield to the company a fair return upon its additional investment at the rates heretofore in effect.

It was also contended by representatives of certain consumers that the wooden flume which transmits the water from the diversion dam to Eucalyptus reservoir is very old and should be immediately replaced by some permanent type of construction. The economic advisability of continuing this flume in operation or replacing it by a more permanent type of construction was discussed in a report by Mr. C. I. Rhodes, one of the hydraulic engineers of this Commission, which was presented at the hearing and marked "Commission's Exhibit No. A–2." In this report Mr. Rhodes estimates that it would cost approximately $850,000 to replace the present wooden flume with a concrete flume, and $1,400,000 to replace it with concrete pipe. The total annual charges, including operation, depreciation, and interest at 8 per cent, upon the value of each of these types of construction, show that the cost of continuing the present flume in operation is far less than that of either of the other two types of construction, even though the cost of maintenance be much higher. However, the records of the company show that there is a material loss of water in transmission which would be at least partially conserved if a concrete flume or pipe line were constructed.

After carefully considering the evidence it appears economically advisable to continue the present flume in operation, with such repairs as are necessary. The condition of the flume, however, is such that

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either very extensive repairs must be made in the very near future, or a comprehensive program for its gradual replacement must be inaugurated. The latter course of procedure appears far more desirable, and I shall recommend that the filing of such a program be made a condition to the establishment of rates.

Numerous complaints of service in the Normal Heights and Kensington Park tracts were made at the hearing. The record shows that applicant has not exercised sufficient care in operating the distribution system in these tracts to prevent the accumulation of objectionable sediment. Frequent investigations should be made in these tracts, and when it becomes necessary the mains should be flushed until the objectionable conditions are removed.

The Commission's engineers made an exhaustive investigation of the company's books and records, and compiled a report showing capital expenditures from the date of purchase by this company to September 30, 1919. This report shows a net capital investment of $886,877. Applicant's Exhibit A–3 sets out that its capital expenditures to December 31, 1919, were $825,193. The apparent discrepancy between these two amounts is probably due to the omission by applicant in its exhibit of certain items of capital expenditure which it should have included, such as various sums which were entered in its records as maintenance and operation expenses. Applicant also presented in its Exhibit A–2 an appraisement of its system as of December 31, 1919, which shows a reproduction cost with overhead of $3,323,357, a reproduction cost less depreciation of $2,604,167, and a reproduction cost less depreciation and deferred maintenance of $2,459,567. This includes the sum of $333,402 for real estate and $920,000 for water rights. It is unnecessary for the purpose of this proceeding to discuss further these sums or to make a finding of the value of the system because of the fact, as set out later herein, that a rate established which would yield interest upon these sums would be so high as to be unfair to the consumers, and greater than the service is reasonably worth.

A careful analysis of the expenses heretofore incurred by applicant in maintaining and operating its system was made by the Commission's engineers, and based upon this analysis and the knowledge of cost of operating other similar systems, they presented an estimate of probable future operating expenses. The following tabulation shows the operating expenses for the period July 1, 1915, to December 31, 1919, and also estimated operating expenses for 1920, as set out in exhibits.

	July 1, '15 to Dec. 31, '15	1916	1917	1918	Jan. 1, '19, to Sept. 30, '19	Whole of 1919	Estimated for 1920
Company's	$25,060	$80,866	$55,926	$61,960	$61,912	$88,779	$78,612
Commission engrs.	22,954	55,611	51,162	58,812	51,909	.....	63,215

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The difference in the amounts reported in the above tabulation is principally due to a different allocation of certain items of expense. The Commission's engineers contend that certain items which have been entered upon the books of the company as maintenance and operation expense should have properly been charged to capital investment, and they have so considered them. The Commission's representatives made an exhaustive study and classification of all expenditures during the period above noted, and the sums set out above are the result of this investigation.

The company contends that in addition to the amount set out above there should be added to its annual maintenance and operation expense the sum of $28,720 for deferred maintenance. It is claimed that because of insufficient revenues it has been necessary for it to defer the proper maintenance of its system and particularly the repair of its thirty-three-mile wooden transmission flume, and that this delay will necessitate the expenditure of the above mentioned sum for each of the next five years.

As before stated herein, it appears advisable that rather than expend so large a sum upon extensive repairs to this transmission flume, a comprehensive program of reconstruction should be inaugurated. This transmission flume has been in use for some thirty-five years and is almost entirely depreciated. Its present condition is largely due to this fact, and the expensive repairs which applicant terms "deferred maintenance" would in reality be a replacement in large part and should therefore not be termed an operating expense.

The Commission's engineers in their exhibit designated as Commission's Exhibit A–2, estimate that the sum of $18,654 is a reasonable replacement fund. This amount was arrived at by using the sinking fund method of depreciation. Applicant contends for $51,065, and states that this amount is at present entered in its books. Although the record is not clear in this respect, it appears that this sum is arrived at by using the so-called straight line method of depreciation.

The record shows that certain portions of the company's distribution system are in soil which contains a sufficient quantity of alkali to cause rapid deterioration, which necessitates frequent replacement. For example, it recently became necessary for the company to place a concrete jacket around the 20-inch pipe on El Cajon Avenue. This concreting was done at a very considerable expense to the company. However, because of it, this pipe line becomes practically a permanent installation.

The character of the soil in certain localities is such that a rapid deterioration of the pipes takes place by action of the salts of the soil attacking the metal of the pipe, thus causing frequent breaks and the consequent large expense for repairs. However, this condition has

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been cared for by the provision of a materially increased replacement annuity.

For the purpose of comparison only, the following annual charges have been tabulated, based upon the actual investment as reported by the Commission's engineers, the estimated operating expenditures, and replacement annuity:

Interest on $886,877 at 8 per cent	$70,950 00
Maintenance and operation expense	66,000 00
Replacement annuity	18,660 00
Total	$155,610 00

The sums set out above are not a finding of the reasonable sums for these elements nor is the sum of $886,877, upon which interest is here computed, advanced as the value of this system.

If the Commission included in the annual charges to be produced by rates, the interest upon the estimated reproduction cost claimed by applicants, the total annual charges would amount to approximately $351,560.

The foregoing statement of annual charges is included in order that a comparison may be made between the income produced by the present rate schedule, and the annual charges if interest were allowed upon the actual moneys invested by the company.

A rate schedule which would yield the above annual charges would be far more than the traffic could bear, and if such a rate schedule were established it would cause the cessation of a very large part of the irrigation business of this company, which would mean that the investment in the lands now cultivated would be lost and the company would lose a large part of its income. Careful thought has been given to the subject of the establishment of a rate which will yield to applicant the greatest possible income without creating a financial disaster to farmers and other water users in the district served. The rate herein established is designed to do this.

The following tabulation shows the revenues of this company from 1914 to 1919, inclusive:

Revenues from Operation.

Items	1914	1915	1916	1917	1918	1919
Domestic use	$20,178	$20,323	$22,298	$18,396	$21,929	$21,918
Irrigation use	15,475	25,179	25,366	36,287	34,191	45,533
Sales to the City of San Diego	16,046	34,885	51,054	----------	25,905	33,965
Total revenues from sales of water	$51,699	$80,387	$98,628	$54,683	$82,025	$104,416
Other revenues	600	1,369	1,640	2,096	2,665	2,724
Gross revenues	$52,299	$81,756	$100,268	$56,779	$84,690	$107,140
Deductions from revenue	----------	----------	----------	650	609	764
Net revenues	$52,299	$81,756	$100,268	$56,129	$84,081	$106,376

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Of the revenues shown above, those from domestic and irrigation sales during 1919 are greater than normal owing to the fact that a surcharge of two cents per hundred cubic feet was granted by the Commission in Decision No. 6548, and was in effect from August 1 to December 31, 1919.

During the years 1914 to 1919, inclusive, the total revenue for the sales of water to the city of San Diego was $161,855, or an average of $26,976 per year. The sale of water by the Cuyamaca Water Company to the city of San Diego has heretofore been a very important source of revenue, as shown by the above average annual income. Furthermore, it was so considered by this Commission in its Decision No. 4058, *supra*, in which decision the Commission stated in part as follows:

> For many years the Cuyamaca company's main source of revenue was the sale of water in the city of San Diego. Until the city of San Diego purchased the local water distributing system and turned from the Cuyamaca company to the so-called Spreckels system for its water, the Cuyamaca company derived the larger part of its revenue from the sale of water in San Diego. Without the city of San Diego as a prospective consumer the construction of this system would not have been justified and probably would not have been undertaken. The loss by the Cuyamaca company of this customer at the time the city of San Diego began to take water from the Spreckels system was not the fault of the other consumers of the Cuyamaca company, nor can any possible failure of the Cuyamaca company hereafter to sell large quantities of water to the city of San Diego be justification for charging to the company's other consumers rates in excess of the just and reasonable rates herein established.

It appears, however, that it is problematical whether applicant will continue to sell as large a quantity of water, if any, to the city of San Diego, due to the fact that Mr. Ed Fletcher, one of the applicants herein, as president of the San Dieguito Mutual Water Company, contracted with the city of San Diego recently for the purchase by the latter from San Dieguito Mutual Water Company of two million gallons of water per day.

As before stated by this Commission in its Decision No. 4058, *supra*, the failure on the part of the Cuyamaca Water Company to sell large quantities of water to the city of San Diego, can not justify an unreasonable rate to the company's other consumers, and this is especially true in view of the contract above referred to for the delivery of water to the city by a company, the ownership and management of which is at least in part the same as that of applicant herein.

The Commission in its decisions heretofore rendered discussed fully the matter of the rate base to be allowed for this utility. In order to meet the total annual charges set out above, it would be necessary to more than double the present irrigation rates. Records of water used from this system subsequent to the increase of rates established by this Commission in its Decision No. 4058, which became effective in April, 1917, show that there was a very decided reduction in the quantity of

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water used by the various consumers. During the first year of operation under these rates, the domestic use was curtailed, and only 88 per cent of the quantity used during the preceding year was consumed. Curtailment of irrigation use was greater than in domestic use, and only 69 per cent of the quantity used during the preceding year was consumed during the year following the establishment of rates. However, during the second year of operation under the new rates, the domestic use was 127 per cent of the use during the last year under the old rates. The irrigation use did not increase in proportion to the domestic use, and was only 72 per cent of the use during the last year under the old rates. Records of use under other systems throughout the state show that when rates are materially increased the use of water decreases. Furthermore, certain of applicants' consumers contend that if rates are increased above a certain point, pumping plants will be installed, and the use of water from applicants' system entirely discontinued by them. Obviously, if so high a rate schedule were established that a large number of applicants' consumers could not continue in business and make a profit, the gross revenue received by applicant would decrease rather than increase. The cost of water does not vary directly with the quantity delivered in this case, because the impounding facilities and distribution system are already constructed, and the expense is not materially increased by the delivery of a greater quantity of water.

Much evidence was introduced at the hearing regarding the ability of the consumer to pay higher rates. From the data presented relating to the cost of production of the principal crops of this territory, it appears that the cost of water is not the most important of the cultural costs, and that a substantial increase in the rate charged for water can be safely absorbed. An analysis of all of the facts submitted leads to the conclusion that the service is worth a greater sum than the consumers are paying at present, and furthermore, that the company is justly entitled to a materially increased rate.

The rate schedule at present in effect is as follows:

DOMESTIC SERVICE.

Monthly Minimum Charges.

Inside diameter of service, ¾ inch and less	$1 00
Inside diameter of service, 1 inch	1 25
Inside diameter of service, 1½ inch	1 75
Inside diameter of service, 2 inches	3 25
Inside diameter of service, 3 inches and larger	4 00

For All Water Used.

Between 0 and 1,000 cubic feet	$0 25 per 100 cubic feet
Between 1,000 and 5,000 cubic feet	15 per 100 cubic feet
Between 5,000 and 100,000 cubic feet	12 per 100 cubic feet
Over 100,000 cubic feet	08 per 100 cubic feet

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IRRIGATION SERVICE.

Monthly Minimum Charges on Pipe Lines West of Eucalyptus Reservoir.

Inside diameter of service, ¾ inch and less	$1 00
Inside diameter of service, 1 inch	1 25
Inside diameter of service, 1½ inches	1 75
Inside diameter of service, 2 inches	3 25
Inside diameter of service, 3 inches and larger	4 00

Monthly Minimum Charges for Consumers Served Through Measuring Boxes on Flume or Tributary Lines.

For Indians on El Capitan Indian Reservation	No charge
For all other services	$2 00

For All Water Used.

Between 0 and 1,000 cubic feet	$0 25	per 100 cubic feet
Between 1,000 and 2,000 cubic feet	15	per 100 cubic feet
Over 2,000 cubic feet	02½	per 100 cubic feet

PUBLIC SERVICE.

For All Water Used.

For road and street sprinkling, and sewer flushing	$0 12 per 100 cubic feet
For each fire hydrant, the monthly minimum charge, which includes monthly payment for all water used through such hydrant strictly for fire service	$2 00 per month

Other public use, except service to the city of San Diego, shall be at the rates established for domestic service.

The elements entering into the establishment of a rate schedule have been carefully considered, and the rate schedule established herein, in so far as is possible, equitably apportions the expense of service to each class of consumers.

Computations of the approximate annual income which the rate schedule established herein will yield indicates that a sufficient revenue will be received to meet the necessary and reasonable operating expenses, replacement annuity and certain interest upon the investment in the system.

ORDER.

James A. Murray, William G. Henshaw and Ed Fletcher, doing business under the name and style of Cuyamaca Water Company, having applied for authority to increase rates, tolls and charges for water furnished by them; and

A petition for rehearing having been filed by certain of the consumers of said Cuyamaca Water Company, asking that this Commission's Decision No. 6548 in Application No. 4670 be modified; and

Robert Ross et al., having filed a complaint against the rates and service rendered by said James A. Murray, William G. Henshaw and Ed Fletcher; and

The above entitled matters having been consolidated, argument having been had and evidence submitted on the question of rehearing, a public hearing having been held, briefs filed, and the matters being now ready for decision;

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It is hereby found as a fact, that the rates, tolls and charges heretofore charged by James A. Murray, William G. Henshaw and Ed Fletcher, in so far as they differ from the rates herein established, are unjust and unreasonable; and

It is hereby further found as a fact, that the surcharge of 2 cents per 100 cubic feet established in Decision No. 6548 in Application No. 4670 is just and reasonable.

And basing its order upon the foregoing findings of fact and upon the other statements of fact contained in the opinion preceding this order;

It is hereby ordered, that the petition for rehearing in Application No. 4670 be and it is hereby denied.

It is hereby further ordered, that James A. Murray, William G. Henshaw and Ed Fletcher be and they are hereby authorized to file with this Commission, within twenty (20) days of the date of this order, the following schedule of rates, effective for all bills rendered by Cuyamaca Water Company subsequent to September 1, 1920:

Monthly Minimum Charges.

⅝-inch meter	$1 25
¾-inch meter	1 50
1-inch meter	2 00
1½-inch meter	3 00
2-inch meter	4 00
3-inch meter	7 00
4-inch meter and larger	12 00
Measuring boxes on the flume	2 50

For irrigation service the monthly minimum charges shall apply each month whether or not water is used.

Monthly Meter Rates for Domestic Service.

From 0 to 1,000 cubic feet, per 100 cubic feet	$0 25
From 1,000 to 100,000 cubic feet, per 100 cubic feet	15
Over 100,000 cubic feet, per 100 cubic feet	10

Monthly Meter Rates for Irrigation Service.

From 0 to 1,000 cubic feet, per 100 cubic feet	$0 25
From 1,000 to 2,000 cubic feet, per 100 cubic feet	15
Over 2,000 cubic feet, as follows, per 100 cubic feet:	
For all consumers on flume except city of El Cajon	$0 05
For Lemon Grove Mutual Water Company, Helix Mutual Water Company, or other tracts supplied with water under pressure for irrigation purposes through privately owned pipe lines operated by consumers	04
For all consumers supplied with water for irrigation purposes under pressure through pipe lines owned or operated by the company	06

Monthly Rates for Public Service.

For all water used for road or street sprinkling or sewer flushing, per 100 cubic feet	$0 15
Fire hydrants, fire use only	2 00

To Indians on El Capitan Indian Reservation, no charge.

Service to Consumers on Grossmont System.

Consumers supplied with water pumped by the Grossmont pumping plant shall be charged in accordance with the foregoing rates plus a surcharge of 20 per cent.

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It is hereby further ordered, that the rate schedule established above is expressly conditioned upon the filing by James A. Murray, William G. Henshaw and Ed Fletcher, within twenty (20) days of the date of this order, of a comprehensive plan for the reconstruction of the thirty-three-mile wooden transmission flume extending from the diversion dam to Eucalyptus Reservoir.

It is hereby further ordered, that James A. Murray, William G. Henshaw and Ed Fletcher be and they are hereby directed to cause the mains in Kensington Park and Normal Heights tracts to be flushed whenever necessary to render satisfactory service to the consumers of Cuyamaca Water Company in these tracts.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-fourth day of September, 1920.

DECISION NO. 8146.

IN THE MATTER OF THE APPLICATION OF HOME TELEPHONE COMPANY OF COVINA, LOS GATOS TELEPHONE COMPANY, MONROVIA TELEPHONE AND TELEGRAPH COMPANY, NEVADA, CALIFORNIA AND OREGON TELEGRAPH AND TELEPHONE COMPANY, ONTARIO AND UPLAND TELEPHONE COMPANY, POMONA VALLEY TELEPHONE AND TELEGRAPH UNION, ROSEVILLE TELEPHONE COMPANY, SACRAMENTO VALLEY TELEPHONE COMPANY, SANTA BARBARA TELEPHONE COMPANY, SANTA MONICA BAY HOME TELEPHONE COMPANY, SOUTHERN CALIFORNIA TELEPHONE COMPANY, SOUTHWESTERN HOME TELEPHONE COMPANY, THE HOME TELEPHONE AND TELEGRAPH COMPANY OF PASADENA, THE PACIFIC TELEPHONE AND TELEGRAPH COMPANY, THE TULARE HOME TELEPHONE AND TELEGRAPH COMPANY, UNION HOME TELEPHONE AND TELEGRAPH CORPORATION, WHITTIER HOME TELEPHONE AND TELEGRAPH COMPANY FOR AN ORDER MODIFYING GENERAL ORDER NO. 57.

Application No. 5767.

Decided September 24, 1920.

TELEPHONE SERVICE—INSTALLATION CHARGES—RETENTION OF BY UTILITY.—Due to the numerous necessary transactions involved in meeting the demands of those desiring telephone service installations, each involving a greater or less expense, and which are not involved by other classes of utilities in meeting the demands of their patrons, it is held that such expense should not be passed to permanent subscribers through general operating costs, but that the utilities should be permitted to retain permanently the installation charge, which is fixed at $3.50 in all cases except retention of installed instruments known as supersedures, which is fixed at $1.50.

INSTALLATION CHARGE—RETENTION OF—RETROACTIVE EFFECT OF ORDER.—All telephone utilities which had applications pending with the Commission for permission to retain installation charges and which issued receipts subsequent to federal control of telephone utilities and prior to date of present order, which receipts did not guarantee return of deposits, are permitted, if they so desire, to retain the charge so collected.

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T. H. Wright, for Home Telephone Company of Covina.

D. S. Parker, for Pomona Valley Telephone and Telegraph Union.

L. C. Torrance, for Santa Monica Bay Home Telephone Company.

James T. Shaw, for Southern California Telephone Company, Ontario and Upland Telephone Company, and The Home Telephone and Telegraph Company of Pasadena.

Chas. A. Rolfe and *Carl D. Rolfe*, for Southwestern Home Telephone Company.

W. W. Butler and *Sam R. Heffley*, for Union Home Telephone and Telegraph Corporation.

A. Wardman, for Whittier Home Telephone and Telegraph Company, and Downey Home Telephone and Telegraph Company.

Walter F. Dunn, for Monrovia Telephone and Telegraph Company, and San Fernando Telephone and Telegraph Company.

T. A. Gould, for Redondo Home Telephone Company.

R. R. Ferguson and *Vernon Wilder*, for Interstate Telegraph Company.

J. S. Campbell, for Corona Home Telephone and Telegraph Company.

A. E. Wright, for Valley Telephone Company.

C. H. Button, for Lindsay Home Telephone and Telegraph Company.

W. E. Farman, for Sierra Madre Telephone and Telegraph Company.

C. C. Johnson, for Smeltzer Home Telephone Company.

H. D. Pillsbury and *James T. Shaw*, for The Pacific Telephone and Telegraph Company and Sacramento Valley Telephone Company.

Ernest Irwin, for Consolidated Utilities Company of Compton, Antelope Valley Telephone Company, Turlock Home Telephone and Telegraph Company and McFarland Telephone Company.

Chickering and Gregory, by *Allen Chickering*, for Santa Barbara Telephone Company

A. B. Rochl and *G. C. Harris*, for Tulare Home Telephone Company.

W. E. Hills, for Nevada, California and Oregon Telegraph and Telephone Company.

J. V. Leithold, for Knights Landing Telephone Company.

A. Terkel, for Reedley Telephone Company.

H. F. Knapp, for Sanger Telephone Company.

W. P. Ferguson, for California Telephone and Light Company.

C. W. Forbes, for Manteca Telephone Company.

F. H. Crosby, for Santa Paula Telephone Company, Colusa County Telephone Company and Oxnard Home Telephone Company.

Jess Stephens and *H. Z. Osborne*, for City of Los Angeles.

Clyde Woodworth, for the cities of Inglewood, El Segundo and Beverly Hills.

T. C. Gould and *Grant W. Lorraine*, for the City of Alhambra.

Albert Lauzer, for the City of Fullerton and the City of Brea.

M. Estudillo, for the City of Riverside.

C. G. Sellick, for the City of San Diego.

D. R. Efroy, for the City of Coronado.

Victor R. McLucas, for the City of Santa Monica.

Leon E. Gray, for the City of Oakland.

Frank W. Cornish, for the City of Berkeley.

W. J. Locke, for the City of Alameda.

W. E. Simpson, for the City of Fresno.

LOVELAND AND BRUNDIGE, *Commissioners*.

OPINION.

On November 5, 1915, the Railroad Commission rendered a decision, known as Decision No. 2879, in the matter of the practice of water,

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gas, electric and telephone utilities requiring deposits before rendering service, Case No. 683. The order in this decision established certain rules and regulations which were made applicable to the utilities specified, among which was a rule known as Rule 14, providing, with reference to the cost of disconnecting and reconnecting service connections, as follows:

> Under reasonable, nondiscriminatory rules and regulations, to be prepared in the first instance by the utility, subject to review by the Railroad Commission, a water, gas, electric or telephone utility may provide that the cost of disconnecting and reconnecting service connections may be (1) charged directly to the new or the resuming consumer; or (2) distributed over the periodic payments over a reasonable period of time; or (3) merged in the general operating expenses. The so-called "cancellation charges" of water, gas, electric and telephone utilities are hereby abolished.

In compliance with the requirement of Decision No. 2879, that the utilities specified therein should revise and refile the rules and regulations at the time on file, if inconsistent with the rules and regulations therein established, the telephone utilities of this state quite generally adopted and filed a rule, also known as Rule 14, providing as follows:

> A charge of $3.50 shall be made to all applicants for the establishment of service, provided that no charge shall be made applicants who sign for service to be rendered by the use of telephone instruments as then in place. If a charge of $3.50 has been made for the establishment of service, and service is continued at the same address for twelve months, this amount, without interest, shall then be returned to the subscriber.
>
> A charge of $1 will be made for restoration of service when service has been temporarily disconnected on account of nonpayment, subscriber's temporary absence, or for any other reason for which the subscriber is responsible, except a change in class of service or location of facilities.

It is to be noted that while Rule 14, as established by Decision No. 2879, refers to the cost of disconnecting and reconnecting service connections, Rule 14, as adopted and filed by telephone utilities, is made applicable to all applicants for the establishment of service except those making application for service to be rendered by the use of telephone instruments as then in place, thus providing a charge for the establishment of service in those cases in which disconnection and reconnection is not at once involved. This is for the reason, principally, that in making installations of telephones not only is it the exception that an installation is made by the reconnection of a service connection previously disconnected, even though the installation may be made in a premise in which there has been service previously, but even an initial installation, which eventually will involve a disconnection also, involves a cost properly falling within the provisions of the rule established by the Commission.

It is to be noted also that in the rule filed by the utilities under the provisions of this decision, it is provided that no charge shall be made applicants for whom service is to be provided by the use of telephone

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instruments as then in place and, in those cases in which the charge is applicable, it is made returnable if service is continued at the same address for twelve months. This rule had the effect of denying the utility the right to collect a disconnection or reconnection charge if the service applied for could be provided by an existing installation, thus requiring the utility to carry the cost under operating expense; of requiring the utility to return the charge to the subscriber after continuance of service for twelve months, thus also requiring that the cost be carried under operating expense, and of permitting the utility to place the cost upon the subscriber incurring the expense if the service were of shorter duration than one year.

This rule continued in effect until nullified during federal control and was again ordered restored at the termination of federal control by General Order No. 57 of the Railroad Commission.

In this application, seventeen of the principal telephone utilities of the state have joined in asking the Commission for a modification of General Order No. 57 in so far as it relates to these charges, therein referred to as service connection charges and installation charges. What is desired by petitioners is an order permitting them to collect and permanently retain the following charges:

A.

A charge of $3.50 for each of the following listed units of facilities upon application for installation:

1. Individual or party line service, each station	$3 50
2. Each extension station	3 50
3. Private branch exchange service:	
(a) Each trunk line to the central office	3 50
(b) Each station (except operator sets)	3 50

B.

A charge of $1.50 for the establishment of service by use of instrumentalities in place on subscriber's premises; if at subscriber's request a change is made in location or type of facilities, the charges for moves and changes are applicable to the change, provided the total charges shall not exceed the charges for the initial establishment of service, as specified in paragraph A.

C.

The service connection charge shall be applicable to all service except farmer line service.

D.

A charge of $1 for restoration of service temporarily disconnected for nonpayment, subscriber's temporary absence, or for any other reason for which the subscriber is responsible except a change in class of service or location of facilities.

Realizing that such order as the Commission may issue in this proceeding should be made to apply uniformly to all of those telephone utilities now or hereafter filing rules and regulations providing for the collection of service connection charges and installation charges from applicants for service, the Commission, on June 21, 1920, addressed a

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letter to seventy-nine of the telephone utilities of California which had not joined in this application and which had filed rules and regulations under Decision No. 2879, calling their attention to this proceeding and giving an opportunity to appear before the Commission as interested parties at the hearings in this proceeding. Notices of the hearings were also given to the cities and to the boards of supervisors of the counties of the state. Public hearings were held in Los Angeles on July 1, 1920, and in San Francisco on July 13, 1920. Appearances of forty-five attorneys and representatives were entered, representing thirty-six utilities and fifteen cities.

The utilities take the general view that there are certain definite expenses incurred in all telephone service installations, peculiar to the operation of telephone utilities, which are now borne by the utility as a part of operating expense; that these expenses are largely created by the more or less transient use of the service; that in the last analysis, if the utility is to be allowed rates sufficient to yield a reasonable return on investment after meeting its legitimate obligations, the permanent patron will be called upon to pay a higher rate for service than would be necessary if each patron were required to bear the expense created by his individual demands, and that, as a result of rapidly increasing costs of operation, additional revenues are a vital necessity.

The issue presented here is whether rates sufficiently high to carry the expense of all service installations, including those for short term usage, which are abnormal because of their frequency, shall be imposed upon all rate payers, including the more or less permanent users of the service, or whether the expense of installation, at least in part, by the imposition of uniform installation charges upon each person requiring an installation, shall be assessed against the individual incurring the expense.

During the year 1918, this year being taken because of abnormal conditions existing during the year 1919 as a result of consolidation proceedings and because later figures are not available, the Pacific Telephone and Telegraph Company throughout its California exchanges reported that in connecting new subscribers to its system, taking out telephones ordered disconnected from the system, disconnecting and reconnecting service for superseding subscribers and for subscribers moving to different addresses, completed in excess of 200,600 separate and distinct operations while gaining but 9600 stations over what it had at the close of the previous year. During the year 1919, Southern California Telephone Company, operating in the city of Los Angeles, in the same way completed 83,600 transactions while gaining 14,667 stations. In receiving and completing these various classes of orders,

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it is necessary to perform for each order and in each department of the company's organization required to handle them numerous operations, including the following:

Commercial Department.

Preparation of directory copy.
Preparation of directory delivery routing card.
Checking of daily printed directory addendum.

Plant Department.

Assignment of conductor pairs.
Posting of wire chief's cable records.
Assigning necessary equipment and posting same in equipment records and on work orders.
Preparation of transmitter number plates and switchboard plates.
Providing necessary connections in the central office.
Testing the completed installation to insure proper working condition, and recording details of test.
Posting of Plant Department records.
Reporting essential information to Traffic Department.

Traffic Department.

Correcting equipment following completion of installation by Plant Department.
Making necessary entries in records of information operators.
Checking these records against directory records.
Preparation and filing of line card, office record and posting of line and station records.
Checking work order against various records and transmitting same to various departments.

The operations here enumerated are the chief but not the only operations necessary for each and every new installation of service and which, in the operation of other classes of utilities, are not performed in the acceptance and completion of orders for service connections. Practically the same or similar operations either in the same order or in the reverse order, are necessary in handling orders for discontinuance, supersedures and changes from one address to another. It is necessary also that other operations, such as are necessary in preparing to furnish service and in preparing and maintaining office records for billing purposes, similar to those which other utilities are required to perform, be performed by telephone utilities in handling its various classes of orders. But while it does not in the least concern a consumer of water, gas or electricity, whether his neighbor or his grocer, baker, butcher or other merchant or the banker with whom he may transact business is provided with water, gas or electric current from the same feeders which supply him with these necessities, or indeed whether they require such service at all, it is of vital concern to the user of telephone service, if his service is of any value to him, not only that those with whom he is required to maintain business and other intercourse also have telephone service, but it is also of concern to him what feeders provide the means of service, and the utility serving him must constantly maintain such equipment

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and other means, highly intricate in their operation, as will constantly make possible intercommunication with all other users of the service.

We are of the opinion that in the operation and conduct of the telephone industry there are numerous necessary transactions involved in meeting the demands of those desiring telephone service installations, each involving a greater or less expense, and which are not involved by other classes of utilities in meeting the demands of their patrons. It is, of course, obvious that if a telephone company is required, as it is at present, to carry such expenses as a part of operating expense, the result must be reflected in rates or the company must bear such loss, if any, as may result. Under the provisions of the rule governing service connection charges and installation charges now in effect, if a patron who has paid a service connection charge fails to continue service for twelve months, the charge is forfeited to the company and to a great extent, we believe, both the company and the permanent patron is protected against excessive installation expenses which may be created by short term usage of service. To the extent, however, if any, that this rule does not provide adequate protection, the company, as well as its patrons who do not create unreasonable expenses, are justly entitled to further relief.

Rule 14 of the Commission's Decision No. 2879 provides that the cost of disconnecting and reconnecting service connections may be—

(1) Charged directly to the new or resuming consumer;

(2) Distributed over the periodic payments over a reasonable period of time; or

(3) Merged in the general operating expenses.

Petitioners now ask that they be permitted to charge these expenses, to the extent set forth in the proposed rule, as provided in method (1) above.

The effect of granting this petition, in addition to permitting the utilities to retain permanently installation charges which they now are required to return to patrons after one year from date of installation, would also permit the collection of charges not now permitted, as follows:

Installation of each extension telephone	$3 50
Installation of each private branch exchange trunk line	3 50
Each private branch exchange station (except operator sets)	3 50
Establishment of service by use of instrumentalities in place on subscriber's premises at time of application for service (known as supersedures)	1 50

The adoption of the proposed charges for private branch exchange installations would, on the other hand, abolish the present practice of billing subscribers who discontinue service within one year for the

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actual cost of installation, including all labor and material costs, and of charging the actual cost of moving private branch exchanges to subscribers who move at any time to other locations.

According to the evidence and to numerous exhibits presented by the various petitioners, the average expense of installation, exclusive of costs which are chargeable to capital account, for all classes of installations is very considerably in excess of the amount of installation charges for which Commission approval is desired. These costs vary with the different companies from $5 to $6.50, approximately, for new installations, and from $2 to $2.65, approximately, for supersedures.

Except that, in our opinion, the charge for installation of extension telephones and for additional private branch exchange stations installed after the initial installation should not exceed $1.50 per station, and upon condition that the charges heretofore exacted for installing and moving private branch exchange systems should be abolished, it is our opinion that this petition should be granted.

It is urged by a few of the small companies, by reason of applications filed with the Commission at or about the time of termination of federal control, seeking authority to retain installation charges and service connection charges, that such charges collected subsequent to July 31, 1919, were not collected with the assurance of their return after one year, and that the Commission should not now require that they be returned. In other cases in which companies proceeded after the issuance of General Order No. 57 to issue receipts calling for the return of these charges, it is not urged that those collected between July 31, 1919, and August 1, 1920, be retained. Under the provisions of the rules and regulations filed with the Commission by these utilities, restoration of which is ordered under the Commission's General Order No. 57, it is clearly provided that if service is continued at the same address for twelve months the charge is returnable to the subscriber, and there is no justification for assuming that there is any question as to whether service connection charges and installation charges which have been collected since the termination of federal control are subject to the provisions of those rules and regulations unless otherwise ordered by this Commission. In those cases, however, in which the utilities, by reason of applications at the time pending before the Commission, proceeded in good faith to issue receipts not guaranteeing return after twelve months, we are disposed to recommend that they be permitted, if they so desire, to retain the charges so collected. We are also of the opinion that the order herein should

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apply to all telephone utilities operating within this state and furnishing the classes of services as to which the charges herein provided for are designed to apply.

The following order is recommended:

ORDER.

Application, as entitled in the preceding opinion, having been filed with the Railroad Commission asking for an order modifying General Order No. 57, heretofore issued by this Commission on August 1, 1919, in so far as said general order relates to petitioners' rules and regulations appertaining to the return of service connection charges and installation charges to subscribers and patrons of said petitioners, and asking for authority to file and make effective a revised rule establishing the service connection charges and installation charges as set forth in the preceding opinion, public hearings having been held, the matter having been submitted and being now ready for decision;

It is hereby ordered, that all telephone utilities operating within the State of California and furnishing the classes of telephone service as to which the charges herein provided for are designed to become applicable, be and they are hereby authorized to file with the Commission within thirty (30) days of the date of this order a revised rule establishing and making effective on and after August 1, 1920, a schedule of charges as set forth and as modified in the opinion preceding this order.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-fourth day of September, 1920.

DECISION NO. 8149.

IN THE MATTER OF THE APPLICATION OF BAKERSFIELD WATER WORKS, A CORPORATION, FOR AUTHORITY TO INCREASE RATES.

Application No. 5708.

Decided September 25, 1920.

Chickering and Gregory, by *Evan Williams* and *W. C. Fox*, for Applicant.

W. P. Grijalva, city attorney, for city of Bakersfield.

J. A. Hinman, mayor, representing the eastern portion of the city of Bakersfield.

Charles N. Sears, representing the East Bakersfield community.

Edson Abel, representing the Kern County Farm Bureau.

BY THE COMMISSION.

OPINION.

Bakersfield Water Works, applicant in the above entitled matter, is a public utility water company engaged in the business of selling

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and distributing water for domestic purposes to consumers in and in the vicinity of Bakersfield, California. In this proceeding applicant asks for authority to increase its rates for service, alleging in effect that the present rates do not produce income sufficient to equal maintenance and operation expenses, replacement annuity and an adequate return on the investment.

A public hearing was held in this matter before Examiner Westover at Bakersfield, California, of which hearing all applicant's consumers were notified and given an opportunity to appear and be heard. At the hearing Mr. M. E. Ready, one of the Commission's hydraulic engineers, presented a report covering a field investigation, appraisal of properties and maintenance study.

It appears that applicant's system consists of nine wells, from which the water is pumped by electrically driven equipment, one 100,000-gallon storage tank, and transmission mains varying in diameter from one inch to ten inches. There are some 1700 consumers supplied by this system. Reference is made to Decision No. 2266, *East Bakersfield Improvement Association* vs. *Bakersfield Water Company*, Case No. 713, decided March 31, 1915, Volume 6 of Opinions and Orders of the Railroad Commission of California, page 462, for a more detailed description of applicant's plant, its history, and other data relating to its operation.

In this proceeding applicant submitted an appraisal of its system in the amount of $178,861, this total including $1,826 for reorganization expense and $31,000 as the estimated cost of certain additions and betterments to be installed prior to January 1, 1921, and added the sum of $7,044 for working capital, thus submitting $185,905 as a proper rate base. The corrected rate base submitted by the Commission's engineer is $157,840. The difference in rate base results from the inclusion of certain items by applicant which in the opinion of the Commission's engineer are improperly charged to capital, and certain other items which are duplications.

The replacement annuity, computed by the sinking fund method, is $2,066. This latter sum, accumulated annually, is designed to provide a proper fund for the replacement of worn-out properties.

The maintenance and operation expenses of Bakersfield Water Works as shown by the books of the company for the years 1918 and 1919 were $25,132 and $30,973, respectively.

Applicant submitted an estimate of $42,264.95 as a reasonable allowance for operating expenses. In Commission's Exhibit "A" the sum of $32,470 is set out as reasonable for this expense.

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The evidence relating to applicant's past and probable future expenditures has been carefully considered, and it appears that, owing to the increase in the cost of electrical energy, labor and necessary supplies, the cost of operation will be increased over that of previous years. Making proper allowances for these various items, it appears that the sum of $35,000 is a fair and just estimate of the future annual cost of operating this system.

The following is a summary of the annual charges, based on a careful consideration of the evidence:

Interest on $160,000 at 8 per cent	$12,800 00
Replacement fund	2,066 00
Maintenance and operation	35,000 00
Total	$49,866 00

The operative income of this company for 1918 was $42,730 and for 1919 $43,812. During these two years the Southern Pacific Railroad Company purchased large quantities of water from Bakersfield Water Company, but the railroad company has now installed a pumping plant of its own, thereby reducing the income of the water company to approximately $36,000 per annum.

Taking all the facts and conditions into consideration, it is apparent that this is a case in which the application for authority to increase rates should be granted, and the schedule established in the following order is designed to return to applicant maintenance and operation expense, replacement fund and interest on investment.

ORDER.

Bakersfield Water Works having applied to the Railroad Commission for authority to increase its rates for water, a public hearing having been held, and the Commission being fully apprised in the premises:

It is hereby found as a fact that the rates and charges of Bakersfield Water Works, in so far as they differ from the rates herein established, are unjust, unreasonable and unremunerative, and that the rates and charges herein established are just and reasonable rates.

And basing its order on the foregoing finding of fact and upon the further statements of fact contained in the opinion which precedes this order;

It is hereby ordered, that Bakersfield Water Works be and it is hereby authorized to file with the Railroad Commission of the State of California, within twenty (20) days from the date of this order, and thereafter charge, the following rates:

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Flat Rates.

	Per month
For every tenement or dwelling house of 5 rooms or less, and bath	$1 50
For every tenement or dwelling house over 5 rooms, for each additional room	15
For water closets or bathtubs in private residences, each	20
For restaurants and eating houses	$4.00 to 8 00
For small stores, offices or shops	1 50
For large stores and warehouses	3 00
For soft drink parlors	3 00
For rooms in second and third stories occupied as offices, each room with water	50
For photograph galleries	3 00
For public water closets or urinals, each	1 00
For public bathtubs used in bathing establishments, boarding houses and barber shops, per tub	1 25
For bakeries	3 00
For drug stores	3 00
For blacksmith shops or wagon shops for the use of water for cooling tires, etc.	2 00
For each additional forge or fire	60
For each garage or service station	3 00
For each automobile	25
For private stables for one horse and buggy, including water to wash same	50
For each additional horse or cow	20
For livery, board, feed, sales and hack stables, including water to wash vehicles, per horse,	30
Minimum per month	2 00
For schoolhouses, for each pupil	04
For steam engines not working over ten horsepower per day, for each horsepower so used	60
For all steam engines working over ten horsepower per day, for each horsepower so used	50
For barber shops, for each chair used	60
Minimum per month	2 00
For fountains not to be used more than 6 hours per day, for 1/16-inch jet	2 00
For 1/8-inch jet	6 00
For 1/4-inch jet	10 00
For watering lawns and grounds, planted to shrubbery, including water for trees and shrubbery in front thereof, per fifty-foot front	75
For the use of hose in front of stores and shops, for washing windows and sprinkling sidewalks, per front foot	.025
For public water troughs, for each trough	1 50
For public laundries, small	3 00
For public laundries, large	8 00
For bottling works	30 00
For meat markets	3 00
For public halls or lodge rooms	2 00
For the first five barrels of lime or cement—	
(*a*) per barrel	25
(*b*) over five barrels, per barrel	15
For water used to mix mortar and dampen bricks, per thousand	25
For municipal fire hydrants, per hydrant	2 25
For water used for municipal purposes other than those named in the preceding rate, tank or meter measurement, per 1000 gallons	12

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METER RATES.

	Per month
First 4000 gallons, per 1000 gallons	25
Next 12,000 gallons, per 1000 gallons	20
Over 16,000 gallons, per 1000 gallons	12
Minimum monthly charge:	
For ⅝-inch meters	1 00
For ¾-inch meters	1 25
For 1-inch meters	1 75
For 1½-inch meters	2 50
For 3-inch meters	7 50
For 6-inch meters	15 00

Dated at San Francisco, California, this twenty-fifth day of September, 1920.

DECISION No. 8150.

IN THE MATTER OF THE APPLICATION OF STAR AUTO STAGE ASSOCIATION, TO TRANSFER AND ASSIGN ITS FRANCHISES AND PERMITS TO OPERATE AUTO STAGES IN THE STATE OF CALIFORNIA TO STAR AUTO STAGE COMPANY, A CORPORATION, AND APPLICATION OF STAR AUTO STAGE COMPANY, A CORPORATION, FOR AN ORDER AUTHORIZING ISSUE OF STOCK.

Application No. 5163.

Decided September 25, 1920.

Star Auto Stage Association authorized to transfer all its property, rights and equipment to the Star Auto Stage Company and the latter to issue $263,500 par value of its common capital stock, of which amount $213,500 is to be issued in exchange for property to be transferred and $50,000 par value to be sold at not less than 85, the proceeds thereof to be expended for new equipment as provided for under supplemental orders of the Commission.

W. A. Latta and *J. Hancock*, for Applicants.

Harry A. Encell, for Geo. S. Held, Clarence L. Simonds and O. A. Moon.

J. E. McCurdy, for J. L. Koehn.

Jesse Steinhart, J. Goldberg and *Lawrence Levy*, for A. L. Richardson.

Charles R. Detrick and *Theodore W. Chester*, for Central California Traction Company.

Dennett and Zion, for E. R. Michaels and A. L. Parker.

T. S. Louthitt, for C. D. Gulick and Henry Short.

K. B. Robinson, for Shaves and McFall.

BY THE COMMISSION.

OPINION.

Star Auto Stage Association and Star Auto Stage Company, a corporation, have petitioned the Railroad Commission for an order authorizing the transfer of the rights and privileges heretofore held by applicant, Star Auto Stage Association, to Star Auto Stage Company, a corporation, for the transfer and assignment of certain operative rights to individuals mentioned in the application and for the issuance by Star Auto Stage Company, a corporation, of 1575 shares of its capital stock at $80 per share in payment for stages and equipment

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as specifically set forth in the application and for permission of the Star Auto Stage Company, a corporation, to issue and sell 500 shares of its capital stock at $80 per share for the purpose of purchasing additional equipment and equipping its offices and stations for the convenience of the traveling public.

Public hearings on this application were conducted by Examiner Handford at Stockton, the matter was duly submitted, and is now ready for decision.

The rights and privileges proposed to be transferred are those acquired by applicant, Star Auto Stage Association, by reason of its operation in good faith prior to May 1, 1917, which was the date specified by the legislature as that upon which applicants were not required to secure a certificate of public convenience and necessity from the Railroad Commission or permits from the governing bodies of the various political subdivisions through which routes were operated.

Since the filing of this application an amended application has been filed requesting an issue of a total of $263,500 of the common stock of the Star Auto Stage Company for the purposes hereinafter stated.

The record in this proceeding shows that the Star Auto Stage Association is composed of thirty-four associate members. The association and its members have been and are operating automobile stages as common carriers between Merced on the south, Sacramento on the north, the cities of San Jose and Oakland and all intermediate points and branch lines running from Modesto to Oakdale, Modesto to Newman, Modesto to La Grange, Stockton to Groveland, Stockton to Sonora, Sonora to Tuolumne, Stockton to Angels, Stockton to Jackson, Plymouth to Jackson, Sacramento to Auburn, Sacramento to Placerville, Stockton to Walnut Grove and Stockton to Tracy via Island road. The record further shows that the association is the owner of certain offices and depot equipment and of real property consisting of a station or depot site situated about two miles west of the town of Manteca at the junction of the Modesto, Oakland and Durham Ferry roads.

Certain members of the association, whose names appear in this application, have concluded that it is to their interest and the interest of the public that they transfer automobiles owned by them and the assets of the association to a corporation, the Star Auto Stage Company, applicant herein. The petition shows that forty-eight cars having a seating capacity ranging from eight to twenty persons and an estimated value of $225,000 will be transferred to the corporation. On these cars there is a balance due of $54,700, the payment of which is to be assumed by the corporation, leaving a net worth of $170,800.

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In addition, there will be transferred to the corporation office equipment, furniture, materials, supplies and real property having a value of $15,000, making a total net value of $185,800. From the testimony in this case and the investigation made by the Commission the value of the property as reported appears reasonable. The $185,800 includes no allowance for going concern, franchises or any other intangible property item.

The Star Auto Stage Company asks permission to issue $213,500 of stock to acquire the assets of the association and the equipment to which reference has been made. In addition the company asks permission to issue and sell $50,000 of its stock at not less than 80 and use the proceeds to purchase additional equipment and more fully equip its offices and stations for the convenience of the traveling public. The Commission has not been furnished with any detailed data or definite information showing the purposes for which the proceeds obtained from the sale of the $50,000 of stock will be used and the order will, therefore, provide that, if the company sells any of the stock, it shall expend the proceeds only for such purposes as the Commission may authorize in a supplemental order or orders in this proceeding. Inasmuch as the owners of the automobile equipment and the association are willing to accept stock of the Star Auto Stage Company in payment for their properties at 87, it occurs to us that the $50,000 of stock which the company asks permission to sell should not be sold for less than 85, as provided for in the order herein.

The transfer of the so-called branch lines which are proposed to be eliminated from the corporation have already received the consideration of the Commission and authority for a transfer of such branch lines is contained in Decision No. 7795 on Application No. 5162, as decided June 24, 1920.

The operative routes proposed to be transferred by the Star Auto Stage Association to the Star Auto Stage Company, a corporation, are as follows:

From Stockton to Sacramento, serving as intermediates the communities at Five Mile House, Henderson, Woodbridge, Galt, Arno, McConnell and Elk Grove.

From Sacramento to Folsom, serving as intermediates the communities at Perkins, Mills and Natomas.

From Stockton to Modesto, serving as intermediates the communities at French Camp, Manteca, Ripon and Salida.

From Stockton to Oakland, serving as intermediates the communities at Tracy, Altamont, Greenville, Livermore, Dublin and Haywards.

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From Stockton to Tracy, serving as intermediates the communities at Garwood Bridge and White Hall.

We are of the opinion that the transfer of the operative lines as hereinabove specified should be made in accordance with the terms and conditions appearing in the following order:

ORDER.

Public hearings having been held in the above entitled proceeding, the matter having been duly submitted, and the Commission being fully advised and of the opinion that no further hearing is necessary on the amended application, as regards the issue of stock, and that the money, property or labor to be procured or paid for through the issue of stock herein authorized is reasonably required by the Star Auto Stage Company, and that the expenditures for such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income;

It is hereby ordered, that the transfer of the operative rights on the routes, as specified in the opinion preceding this order, be and hereby are authorized transferred from the Star Auto Stage Association to the Star Auto Stage Company, a corporation, upon the following conditions:

1. Applicant, Star Auto Association, shall immediately cancel all tariff and schedule filings on the routes hereinabove specified, such cancellation to be in accordance with the rules and regulations of this Commission.

2. Applicant, Star Auto Stage Company, a corporation, shall immediately file with the Railroad Commission tariffs and schedules covering the routes hereinabove specified or adopt as their own the tariffs and schedules of the Star Auto Stage Association as heretofore filed with this Commission; all schedules to contain the same rates as those heretofore filed with the Railroad Commission by applicant, Star Auto Stage Association.

3. No vehicle may be operated by applicant, Star Auto Stage Company, a corporation, unless such vehicle is owned by such applicant or is leased by it under a contract or agreement on a basis satisfactory to the Railroad Commission.

It is hereby further ordered, that Star Auto Stage Company be and it is hereby authorized to issue $263,500 par value of its common capital stock and assume the payment of the balance due on the automobile equipment referred to in the amended application herein.

The authority herein granted is subject to the following conditions:

1. Of the stock herein authorized, $213,500 shall be delivered in payment for the automobile equipment and property described in the amended petition herein.

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2. Of the stock herein authorized, $50,000 shall be sold by Star Auto Stage Company for not less than 85 per cent of its par value and the proceeds deposited in a special fund and expended only for such purpose as the Railroad Commission may authorize in a supplemental order or orders in this proceeding.

3. Star Auto Stage Company shall keep such record of the issue and sale of the stock herein authorized and of the disposition of the proceeds as will enable it to file, on or before the twenty-fifth day of each month, a verified report as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

4. The authority herein granted will apply only to such stock as may be issued and sold on or before December 31, 1920.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-fifth day of September, 1920.

DECISION NO. 8151.

IN THE MATTER OF THE APPLICATION OF THE WHITTIER WATER COMPANY FOR AN ORDER CONFIRMING A CONTRACT AND CONVEYANCE.

Application No. 4753.

Decided September 25, 1920.

James S. Bennett, for Applicant.
Frederick W. Smith, for the property owners in the Rancho Paso de Bartolo.

MARTIN, *Commissioner*.

OPINION.

The above entitled matter is an application by Whittier Water Company for an order authorizing it to transfer to the California Domestic Water Company (a mutual water company), certain pipe lines and properties in accordance with the terms of a certain agreement attached to the application herein and marked "Exhibit A."

A public hearing was held in this matter, and it appears that on April 26, 1913, Whittier Water Company and California Domestic Water Company made and entered into the agreement referred to above. This agreement was executed without the authority of this Commission, and apparently without the knowledge that such authority must be obtained before transfers of public utility properties are valid.

In order that the record may be clear in this matter, and being now fully informed as to the Commission's jurisdiction, applicant now

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applies for authority to execute a deed transferring these properties to California Domestic Water Company.

Taking into consideration all of the facts relating to this matter, it appears advisable that the authority requested by applicant should be granted.

ORDER.

Whittier Water Company having applied to the Railroad Commission for authority to transfer certain of its pipe lines and properties to the California Domestic Water Company, a public hearing having been held, and the Commission being fully apprised in the premises;

It is hereby ordered, that Whittier Water Company be and it is hereby authorized to transfer to the California Domestic Water Company that certain portion of its pipe lines and properties more fully described in Exhibit "A" attached to the application herein, upon the following conditions:

(1) The authority herein granted to transfer property shall apply only to such transfer as may have been made on or before December 1, 1920.

(2) A certified copy of the instrument of transfer shall be filed with the Railroad Commission within thirty (30) days of the date of its execution.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-fifth day of September, 1920.

DECISION No. 8153.

IN THE MATTER OF THE APPLICATION OF GREENVILLE WATER WORKS FOR AN ORDER FIXING RATES.

Application No. 5068.

Decided September 25, 1920.

In connection with an order authorizing an increase in rates, applicant is directed to proceed with a systematic program for metering its entire system and to hereafter keep an accurate account of revenues and expenses in accordance with the classification of accounts for water companies as prescribed by the Commission.

A. R. Bidwell, for Applicant.

BY THE COMMISSION.

OPINION.

Applicant herein is a public utility water system operating under the fictitious name and style of Greenville Water Works. This system is owned by the estate of one Clara Bidwell, deceased, and is now

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being operated under the management of A. R. Bidwell. Through this system water is delivered to consumers in the town of Greenville, Plumas County. In this matter applicant requests the Commission to adjust its present rates and fix a schedule which is adequate to meet present operating conditions.

A public hearing was held at Greenville before Examiner Westover, at which all interested parties were given an opportunity to be heard. No protests were made against the proposed fixing of new rates, and the evidence shows that the system, generally, has been rendering good service. The system supplies about 60 consumers, and in 1919 had a total revenue of $1,681.50, all consumers having been supplied at flat rates.

A field investigation was made and an appraisal of the properties of applicant was submitted by C. H. Monett, one of the Railroad Commission's hydraulic engineers. The engineer's report shows an estimated original cost of the system of $8,751, to which should be added $500, the amount originally paid for certain springs which partially supply this system. The replacement fund or annuity which should be allowed to cover depreciation, computed on the sinking fund basis, is $134.53.

The annual report of Greenville Water Works for the year 1919 shows maintenance and operation expenditures in the amount of $1,681.50, the same amount having been received for the sale of water. The utility has kept no records of its accounts, and therefore the details of expenditures are not available. It would appear, however, from the data available and from a study of similar systems of this size, that $1,000 is an ample amount to cover this item, and therefore that figure will be used for the purposes of this proceeding.

Annual charges based upon the foregoing figures amount to $1,875. As the revenue for 1919 was $1,681.50, it is apparent that the utility is entitled to an increase in rates.

The evidence shows that there is an excessive use of water in the community supplied by this utility, and it is apparent that this condition can be best corrected by metering the system. The applicant, however, objects to the installation of meters on the grounds of high cost by reason of the necessary protection to prevent freezing of meters in the winter season.

Attention is directed to the fact that it is impossible to establish a schedule of flat rates whereby the burden of maintaining a water system of this character is equitably distributed among the various consumers in proportion to their use of water. The benefit to be derived from a metering of the system is not only an equitable distribution of the charges, but is also a means whereby the water can be conserved and an adequate supply furnished to consumers.

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In order that the system may be operated more efficiently, it is recommended that applicant proceed with some systematic program of metering its entire system. It is also recommended that applicant keep accurate account of revenues and expenditures in accordance with the uniform classification of accounts prescribed by the Railroad Commission.

ORDER.

Greenville Water Works having made application to the Railroad Commission as entitled above, a public hearing having been held with relation thereto, and the Commission being fully informed in the matter:

It is hereby found as a fact that the rates now charged by Greenville Water Works for water supplied to consumers are unjust and unreasonable in so far as they differ from the rates herein established, and that the rates herein established are just and reasonable rates to be charged for such service.

And basing its order upon the foregoing finding of fact and upon the statements of fact contained in the opinion preceding this order;

It is hereby ordered, that Greenville Water Works be and it is hereby authorized and directed to file with the Railroad Commission within twenty (20) days of the date of this order, and thereafter charge the following rates for water supplied to its consumers:

FLAT RATE USE.

To apply to all users on separate premises in whatever ownership.

Monthly Flat Rates.

1. Residences, boarding houses and lodging houses of five rooms or less	$1 40
For each additional room	25
Additional for each bathtub	30
Additional for each toilet	30
For each private garage and one automobile	25
For each additional automobile	25
For each private barn, not more than two horses or cows	50
For each additional horse or cow	20
Sprinkling or irrigation of lawns, shrubbery, trees, gardens, etc., per 100 square feet	10
2. Blacksmith shops, machine shops, lumber yards, bakeries, undertaking parlors, grocery stores, dental offices, warehouses, butcher shops and large stores	3 00
3. Drug stores and photograph galleries	3 50
4. Creameries, slaughterhouses and laundries	5 00
5. Banks, professional offices, billiard parlors, fraternal halls, clubrooms, churches, or stores not otherwise listed	1 50
6. Office buildings, for each room	50
7. Restaurants, per unit of seating capacity	15
8. Livery stables or feed yards, per average number of stock fed	25
9. Barns in connection with stores, shops, etc., not more than 2 horses	50
For each additional horse	25
10. Public garages, 6 autos or less	3 00
For each additional auto	50
11. Soda fountains and ice cream parlors, either alone or in connection with other business	2 50

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12. Barber shops, per chair	1 00
Additional for each bathtub	1 00
Additional for each toilet	50
13. Soft drink parlors	3 00
Additional for each toilet	50
Additional for each urinal	30
14. Hotels:	
Dining room	3 00
Bedrooms with running water	25
Each bathtub	50
Each toilet	30
Each urinal	30
15. Building work:	
For mixing mortar and to dampen bricks, per 1,000 bricks	25
For cement work, each barrel	15
16. Water motors	1 50
17. Public schools	3 00
18. Street sprinkling when permitted	2 50

METERED USE.

Minimum Monthly Payments.

⅝-inch meters	$1 00
¾-inch meters	1 25
1 -inch meters	1 75
1½-inch meters	2 50
2 -inch meters	3 00
3 -inch meters and larger	5 00

Monthly Meter Rates.

From 0 to 500 cubic feet, per 100 cubic feet	$0 25
From 500 to 1,000 cubic feet, per 100 cubic feet	20
Over 1,000 cubic feet, per 100 cubic feet	15

Meters may be installed by the utility at its own expense upon any service and the consumer billed at meter rates upon 30 days' written notice.

Meters will be installed at the request of any consumer upon the deposit with the utility of the estimated cost of such installation, and water supplied will thereafter be charged for at meter rates; such deposits to be returned to consumers at the monthly rate of one-fourth the bills for water used through the meter.

It is hereby further ordered, that Greenville Water Works be and it is hereby directed to file with the Railroad Commission within thirty (30) days of the date of this order, a schedule of proposed rules and regulations governing the distribution and sale of water to its consumers, said schedule to be subject to correction or amendment by the Commission, and as finally approved said rules and regulations shall, within ten (10) days of their approval, be placed on file with the Commission and become effective.

Dated at San Francisco, California, this twenty-fifth day of September, 1920.

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DECISION NO. 8160.

IN THE MATTER OF THE APPLICATION OF PACIFIC GAS AND ELECTRIC COMPANY, A CORPORATION, FOR AN ORDER OF THE RAILROAD COMMISSION AUTHORIZING IT TO ISSUE, SELL AND DELIVER ITS FIRST PREFERRED STOCK TO THE PAR VALUE OF ONE MILLION DOLLARS ($1,000,000) AND TO USE THE PROCEEDS FROM THE SALE OF SAID FIRST PREFERRED STOCK IN THE MANNER AND FOR THE PURPOSES DESCRIBED HEREIN.

First Supplemental Application No. 5898.

Decided September 25, 1920.

C. P. Cutten, for Applicant.

DEVLIN, *Commissioner*.

FIRST SUPPLEMENTAL ORDER.

Whereas, the Railroad Commission by Decision No. 7874, dated July 14, 1920, authorized Pacific Gas and Electric Company to issue $1,000,000 of its 6 per cent first preferred stock, subject, among others, to the condition that none of the proceeds shall be expended except as authorized by the Commission in a supplemental order or orders; and

Whereas, applicant has filed a statement showing the specific purposes for which it intends to use the proceeds from the sale of the stock, a further hearing having been held, and it appearing from the evidence submitted at such hearing that applicant's proposed construction expenditures aggregate $6,316,527.40, and the Commission being of the opinion that applicant should be permitted to use the proceeds from the sale of the stock referred to in Decision No. 7874, dated July 14, 1920, to pay in part for the construction of the plant extensions, additions and betterments referred to herein, and that the order in Decision No. 7874, dated July 14, 1920, should be modified; now, therefore,

It is hereby ordered, that the order in Decision No. 7874, dated July 14, 1920, be and it is hereby modified so as to permit Pacific Gas and Electric Company to issue and sell, on or before March 1, 1921, at not less than $80 per share, 10,000 shares ($1,000,000) of its first preferred capital stock and use the proceeds to pay in part the cost of constructing the plant extensions, additions and betterments referred to in the first supplemental application in the above entitled matter and more particularly described in Exhibit "D" filed with the second supplemental application in Application No. 5598.

Provided, that Pacific Gas and Electric Company will keep such record of the issue and sale of the stock herein authorized and of the disposition of the proceeds as will enable it to file, on or before the twenty-fifth day of each month, a verified report as required by the

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Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

It is hereby further ordered, that the order in Decision No. 7874, dated July 14, 1920, shall remain in full force and effect, except as modified by this first supplemental order.

The foregoing order is hereby approved and ordered filed as the first supplemental order of the Railroad Commission of California.

Dated at San Francisco, California, this twenty-fifth day of September, 1920.

DECISION NO. 8162.

IN THE MATTER OF THE APPLICATION OF THE CITY OF AUBURN TO FIX COMPENSATION TO BE PAID FOR THE MUNICIPAL WATER SYSTEM OF PACIFIC GAS AND ELECTRIC COMPANY.

Application No. 3745.

Decided September 27, 1920.

Upon application of the city of Auburn, the Commission finds the sum of $52,000 as the just and reasonable compensation to be paid by said city to the Pacific Gas and Electric Company for its water distributing system in said city.

F. P. Tuttle, Jr., *F. P. Tuttle, Sr.*, and *A. C. Lowell*, for City of Auburn.

Charles P. Cutten, for Pacific Gas and Electric Company.

LOVELAND, *Commissioner*.

OPINION.

The above entitled matter is a proceeding brought by the city of Auburn under the provisions of section 47 of the Public Utilities Act, requesting that the Railroad Commission fix and determine the just compensation to be paid by said city of Auburn to Pacific Gas and Electric Company for its public utility water system which delivers water for domestic purposes to consumers in Auburn.

Hearings were held in this proceeding in San Francisco, at which all interested parties were given an opportunity to appear and be heard, briefs have been filed, and the matter is now ready for decision. Appraisals were filed by engineers representing the city of Auburn, the Pacific Gas and Electric Company, and the Railroad Commission.

The city's appraisal was based upon prices of labor and material prevailing during the six-year period from 1911 to 1916, inclusive. The appraisal presented by the Pacific Gas and Electric Company was based upon prices of labor and material prevailing on May 10, 1918, the date of filing the application herein. The engineering department of the Railroad Commission made extensive field investigation of the water system in question, and based its appraisals upon the data thus secured and from an inspection of the company's records.

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Two appraisals were filed by the engineers for the Commission: one based upon prices of labor and material prevailing during the five-year period from 1913 to 1917, inclusive; the second appraisal being based upon prices prevailing during a six-month construction period ending May 10, 1918, the date of the filing of the application. Thus the principles heretofore established have been adhered to: i. e., the date of the valuation is as of the date of the filing of the application, and prices of labor and material prevailing over a reasonable construction period prior to the date of the appraisal have been used in estimating unit costs. All factors relating to the condition of the properties in question were taken into consideration in arriving at an estimate of reproduction cost less depreciation.

Inasmuch as it was stipulated at the hearing in this matter that the Commission might add to its findings of value the value of any additions, betterments and improvements of the system which were made a part of the system subsequent to May 10, 1918, the date as of which the valuation was submitted, in accordance therewith the net expenditures of the company for betterments and improvements during the period May 10, 1918, to April 30, 1920, are included in the findings herein.

After a careful consideration of all of the elements pertinent to a final conclusion herein, and all of the items going to make up the value of the properties sought to be acquired by the city of Auburn in this proceeding, as outlined above, it appears that the just compensation to be paid by said city of Auburn to Pacific Gas and Electric Company for said properties is the sum of $52,000, and I accordingly submit the following findings:

FINDINGS.

City of Auburn, a municipal corporation, having filed with the Railroad Commission an application as entitled above, the Railroad Commission having proceeded, under the provisions of section 47 of the Public Utilities Act, to fix and determine the just compensation to be paid by said city of Auburn to Pacific Gas and Electric Company for the public utility water system owned by it and serving consumers in the city of Auburn, the description of said system and properties being as follows:

That certain tract, parcel or piece of land lying and being in the northeast quarter of section 10, township 12 north, range 8 east, Mount Diablo base and meridian, containing 1.12 acres, and upon which is located the storage reservoir used in supplying water to consumers in the city of Auburn.

Also all water mains, pipes, services, valves, fittings, meters, meter boxes, valve boxes, rights of way for pipe lines, etc., the same being the public utility water system of Pacific Gas and Electric Company supplying the inhabitants of the city of Auburn on April 30, 1920.

and the Commission being fully advised in the matter:

It is hereby found as a fact that the just compensation to be paid by the city of Auburn to Pacific Gas and Electric Company for its public

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utility water system supplying water to consumers in said city, and more particularly described in the preceding paragraph and made a part of the findings herein, is the sum of $52,000.

The foregoing opinion and findings are hereby approved and ordered filed as the opinion and findings of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-seventh day of September, 1920.

DECISION NO. 8163.

IN THE MATTER OF THE APPLICATION OF SESPE LIGHT AND POWER COMPANY TO TRANSFER PROPERTY TO SESPE POWER CORPORATION, AND SESPE POWER CORPORATION TO ISSUE STOCK AND BONDS AND TO MORTGAGE PUBLIC UTILITY PROPERTIES.

Application No. 5390.

Decided September 27, 1920.

CONTRACT—WATER SALES—APPROVAL OF.—The Railroad Commission at this time refuses to approve a proposed optional contract for the sale of water where it is of record that no market has been found for such water and no liability attaches to the purchaser unless it is able to find a market, and finance and construct the necessary distributing system. It is held that approval of such form of contract should be asked for at a later date when more definite plans for the disposal of water has been decided upon.

SECURITY ISSUES—NET EARNINGS—AMOUNTS AUTHORIZED TO BE BASED ON.—In authorizing the issuance of securities by a newly organized corporation it is held that the interest on outstanding bonds should be less than the most conservative estimate of net earnings, and as there is considerable uncertainty about the net earnings of applicant due to the fact that it has not as yet found a real market for its water, bonds to be issued at this time should not exceed an equal face value of stock.

Sespe Light and Power Company, authorized to transfer properties to Sespe Power Corporation and contract for the sale of energy approved, the latter named company also being authorized to issue $2,000,000 face value of bonds and $1,000,000 par value of stock, provided, that for each $1,000 of bonds sold at 80 applicant shall sell $1,000 of stock at not less than par, which provision will necessitate an application for permission to issue additional stock.

Frank Buren, for Applicant.

Roy V. Reppy, for Southern California Edison Company.

BRUNDIGE, *Commissioner*.

OPINION.

In this proceeding, the Railroad Commission is asked to make an order authorizing the sale and transfer of properties to, and execution of a mortgage, the issue of bonds and stock by, Sespe Power Corporation, and approving contracts for the sale of electrical energy and water. The immediate purpose sought by applicants in their amended petition is permission on behalf of Sespe Power Corporation to issue bonds and stock to enable it to construct hydroelectric generating plants.

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Sespe Light and Power Company, prior to the effective date of the Public Utilities Act, March 23, 1912, issued, according to the records herein, $1,000,000 of common stock in exchange for 640 acres of oil and building stone land, water rights for both power and irrigation purposes covering all unappropriated flow, being substantially all the flow of the Sespe River; United States Forest Service permit for power purposes, rights of way for roads and trails, surveys, maps and general engineering data on the project. The value of these properties at the time the stock was issued was and even now is speculative and unknown. It is of record, however, that Sespe Light and Power Company up to June 30, 1920, expended for preliminary surveys, road and trail construction, obtaining power permits and the right to use water, for salaries of engineers and officers, the sum of $182,820.58, of which about $100,000 represents cash disbursements, and the remainder the delivery of stock in payment for services rendered. To enable the corporation to raise necessary funds, the principal stockholders agreed to and did turn some of their stock back to the corporation to be resold by the corporation and the proceeds used to carry forward the enterprise.

It appears that some of the properties of Sespe Light and Power Company are necessary for the establishment and maintenance of public utility electric and water plants, while other properties are of a nonpublic utility nature. Originally, it was the intention of the stockholders of Sespe Light and Power Company to have that corporation issue additional stock and issue bonds to construct hydroelectric plants, and thus ultimately engage in both public and nonpublic utility business. This idea has been abandoned, and it is now proposed to transfer to Sespe Power Corporation all properties necessary to install, operate and maintain hydroelectric generating plants and enable the corporation to sell water for irrigation and other purposes. The properties which Sespe Light and Power Company asks permission to transfer are more particularly described in Exhibit "A" attached hereto. Sespe Power Corporation will be authorized to issue $100,000 of stock in payment for these properties.

The elevation and size of reservoirs, the height of dams, and the installed capacity of the proposed power plants, appear in the following table:

Reservoir	Elevation	Capacity acre-feet	Height of dam	Net operating head auxiliary plants	Net operating head main plants	Installed capacity auxiliary plants kilowatts	Installed capacity main plant kilowatts
Buren	2,800 ft	29,000	200 ft	180 ft	----------	1,500	----------
Kellerman	2,600 ft	20,000	160 ft	140 ft	----------	1,500	----------
Bradfield	2,440 ft	17,012	172 ft	100 ft	507 ft	1,500	8,000
Brain	1,700 ft	8,397	196 ft	140 ft	494 ft	2,000	9,000
Hammel	1,060 ft	10,832	265 ft	----------	340 ft	----------	7,000
Total		85,241					

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In Exhibit No. 13, prepared by John S. Eastwood, consulting engineer, applicants report the estimated cost of the first unit of development on the Sespe River, that is, the construction of dams and installation of hydroelectric plants referred to in the preceding table in and along the Sespe River, at $3,722,748.

The engineering department of the Commission is of the opinion, and such opinion is based upon the cost of constructing hydroelectric plants at the present time, that applicants' estimated construction costs are too low. It reports the estimated cost at $5,500,000 compared with $3,722,748 reported by applicants. The difference between the two estimates amounts to $1,777,252. The increase in the estimated cost reported by the Commission's engineers is caused by a revision of applicants' estimated cost of conduit lines, penstocks, power house equipment, transmission lines and allowances for superintendence, engineering and contingencies. The Commission's engineers did not revise applicants' estimated cost of dams. While it is not possible to determine the exact cost of the plants prior to their construction, nevertheless attention should be called to the difference of opinion among engineers as to the probable cost of the plants. The estimated cost of the plants, as reported by applicants and by the Commission's engineering department, is set forth in the following table:

	Applicants' estimate	Commission's engineering department estimate
Buren plant (complete)	$550,000 00	$594,500 00
Kellerman plant (complete)	365,000 00	409,500 00
Bradfield auxiliary plant	13,000 00	90,000 00
Bradfield main plant	1,268,364 00	1,662,918 00
Brain auxiliary plant	44,000 00	160,000 00
Brain main plant	848,164 00	1,210,378 00
Hammel main plant	604,220 00	821,000 00
Engineering, superintendence and incidentals		611,704 00
Totals	$3,722,748 00	$5,500,000 00

John S. Eastwood included his allowances for engineering, superintendence and incidentals in the cost of each plant.

There is also a difference of opinion between the engineers of applicants and of the Commission as to the plant output. The records of water supply are very fragmentary and unsatisfactory in the opinion of the Commission's engineers. In his final report, John S. Eastwood estimated a plant output of 197,962,017.6 kilowatt hours, while the Commission's engineers consider that only an average annual output of 75,000,000 kilowatt hours can be depended upon. The stream flow records, as existing, show the run-off of the Sespe River to be flashy, large percentages of the entire annual run-off occurring in one or

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two storms. While there may have been abnormal run-offs, such as indicated by applicants' report, of several hundred thousand acre-feet, they may have been caused by heavy rain falls so close together that it would have been impossible to store the water in reservoirs whose total capacity is 85,241 acre-feet. Applicants' engineers figure on filling the reservoirs about 2¼ times, while the Commission's engineers take the position that the reservoirs might be filled once each year, but also call attention that using John S. Eastwood's computed run-offs, there were five years out of the twenty when the reservoirs would not have been filled, and that the average output for 20 years past, had these plants been installed, would have been 75,000,000 kilowatt hours.

Sespe Light and Power Company has entered into a contract with the Southern California Edison Company, which, subject to certain conditions set forth in the contract, agrees to purchase at ½ cent per kilowatt hour not less than 60,000,000 kilowatt hours of electrical energy, provided the plants installed are sufficient to produce this amount, and that there is available water sufficient to yield 60,000,000 kilowatt hours of electrical energy per annum. The agreement, among other things, provides that the upper and intermediate plants of the first unit, and plants of all other units hereafter constructed, shall be operated and water let down for power purposes in accordance with the directions of the Edison company. The lowest plant of the first unit may be operated so that the water used therein may be used primarily for irrigation purposes. The agreement further provides that at any time after five years of operation of all the plants except the lowest, for power purposes primarily, the Sespe company may change the plan of operation and operate all of its plants primarily for the purpose of furnishing stored water for irrigation. If this is done, the Edison company is relieved from its obligation of taking a minimum of 60,000,000 kilowatt hours of electrical energy per annum. In general, it may be said that the agreement contemplates that the Edison company will take all the electrical energy generated by Sespe company less the amount used by the Sespe company, so long as the purchase of such energy will not prevent the Edison company from conserving and using to its greatest benefit all electrical energy generated in its present hydroelectric generating plant and those hereafter constructed. The Commission is asked to approve this contract, which is entered into by Sespe Light and Power Company and Southern California Edison Company, and approve the assignment of the contract by Sespe Light and Power Company to Sespe Power Corporation.

The Commission is also asked to approve an option contract to be given by Sespe Power Corporation to Sespe Development Company, covering the sale of water. It is of record that there is no market for

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this water at present, and the contract is so drawn that no liability attaches to the purchaser unless it finds a market for the water and is able to finance and construct the works necessary to deliver the water to the users. Such a contract can scarcely be considered of any value in a proceeding of this nature, and the Commission does not feel that it is necessary for it to approve the contract at this time. The sale of the water is a matter which can be taken up in a new proceeding, or by a supplemental petition in this proceeding.

There is on file in this proceeding a copy of the proposed mortgage or deed of trust, which has been marked "Exhibit C." The mortgage or deed of trust is intended to be a lien on all the property which Sespe Power Corporation may own at the time the mortgage is executed, or which it may thereafter acquire, for the purpose of securing the payment of $10,000,000 of 6 per cent thirty-year bonds. It authorizes the trustee to certify forthwith $3,000,000 of bonds, or such other amount as the Railroad Commission may authorize to be issued for the purpose of paying for the construction of applicant's "first unit" of electrical development. The remainder of the bonds may be certified by the trustee from time to time to pay for 75 per cent of the cost of additions and betterments, provided the net income for twelve months ended two months prior to the filing with the trustee of an application for the certification of bonds is at least equal to one and one-half times the interest on all bonds issued, together with the interest on all bonds which the trustee is asked to certify. If an application for certification of bonds is filed with the trustee prior to April 30, 1923, the earnings of only six months need be taken into account. The proposed mortgage or deed of trust obligates the company to deposit with the trustee annually from 1924 to the maturity of the bonds, cash equal in amount to one per cent of the face value of all bonds outstanding and not previously called for redemption. The money so deposited may be used either to redeem bonds or to pay for additions and betterments, against which no further bonds may be issued.

The Commission is asked to make an order authorizing applicant, Sespe Power Corporation, to issue stock and bonds at such prices and upon such terms and conditions and in such amounts as the Commission may deem proper. Until applicant has found a real market for its water, there appears to be considerable uncertainty about its net earnings. The interest on outstanding bonds should be less than the most conservative estimate of net earnings, and I am therefore of the opinion that not more than $2,000,000 of bonds should be issued. The remainder of the moneys necessary to build the hydroelectric plants, under the conditions disclosed by the record herein, should be obtained from the sale of stock. The authorized stock issue of the Sespe Power

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Corporation is limited to $1,060,000. It will be necessary for the company to amend its articles of incorporation so as to permit of a larger stock issue and in a formal proceeding ask permission to issue additional stock if it intends to proceed with the construction of the plants. Concurrently with or prior to the sale of every $1,000 of bonds, the company must sell at least $1,000 of stock. All moneys obtained from the sale of bonds and stock should be deposited in a bank or banks and not expended except as authorized by the Commission. If for any reason the company is unable to finance the project at this time, any moneys collected from purchasers of bonds and stock shall be returned to them less such an amount as the Commission may determine to be a proper allowance for the payment of commissions and expenses.

I herewith submit the following form of order:

ORDER.

Sespe Light and Power Company having applied to the Railroad Commission for permission to transfer certain properties to Sespe Power Corporation, and Sespe Power Corporation having asked permission to purchase said properties, to execute a mortgage or deed of trust and issue bonds and stocks, and to enter into contracts for the sale of electrical energy and water, a public hearing having been held, and the Commission being of the opinion that the money, property or labor to be procured or paid for by the issue of stock and bonds herein authorized is reasonably required for the purpose or purposes specified in this order, and that the expenditures for such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income;

It is hereby ordered, that Sespe Light and Power Company be and it is hereby authorized to sell and transfer to Sespe Power Corporation, in exchange for $100,000 of stock of said Sespe Power Corporation, the properties described in "Exhibit A" attached hereto.

It is hereby further ordered, that Sespe Power Corporation be and it is hereby authorized to execute a mortgage or deed of trust substantially in the same form as the mortgage or deed of trust filed in this proceeding and marked "Exhibit C," provided that the approval herein given of said mortgage or deed of trust is for the purpose of this proceeding only, and an approval in so far as this Commission has jurisdiction under the terms of the Public Utilities Act, and is not intended as an approval of said mortgage or deed of trust as to such other legal requirements to which said mortgage or deed of trust may be subject.

It is hereby further ordered, that Sespe Light and Power Company be and it is hereby authorized to enter into a power sale agreement with

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Southern California Edison Company substantially in the same form as the agreement filed with this Commission on May 11, 1920, and assign such agreement to the Sespe Power Corporation.

It is hereby further ordered, that Sespe Power Corporation be and it is hereby authorized to issue $1,000,000 of its common stock and $2,000,000 of 6 per cent thirty-year bonds.

The authority herein granted is subject to further conditions as follows:

1. Of the stock authorized to be issued, $100,000 may be delivered to Sespe Light and Power Company at par in payment for the properties described in "Exhibit A" attached hereto, and the remainder of the stock sold for cash at not less than par. The bonds shall be sold for cash at not less than 80 per cent of their face value plus accrued interest, provided that concurrently with or prior to the sale of every $1,000 of bonds, the company must sell at least $1,000 of stock at not less than par. For the reason set forth in the opinion, it will be necessary for Sespe Power Corporation to file an application for permission to issue additional stock if it intends to proceed with the construction of the hydroelectric plants referred to in this application.

2. All proceeds obtained from the sale of stock and bonds herein authorized shall be deposited with a bank or banks and expended only for such purposes as the Railroad Commission may hereafter authorize, it being understood that none of the proceeds will be expended until applicant, Sespe Power Corporation, has sufficient funds on deposit to enable it to expeditiously construct its plants, and that if it is unable to finance the construction of its plants, all moneys collected will be returned to the purchasers of stock and bonds less such an amount as may be allowed by the Commission to cover stock and bond sale expenses.

3. Sespe Power Corporation shall file with the Commission the name and postoffice address of each stock and bond subscriber, together with the amount of stock and bonds subscribed for and the payment made by each such subscriber.

4. Applicant, Sespe Power Corporation, shall keep such record of the issue and sale of the stock and bonds herein authorized, and of the disposition of the proceeds, as will enable it to file, on or before the twenty-fifth day of each month, a verified report as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

5. The authority herein granted will not become effective until applicant, Sespe Power Corporation, has paid the fee prescribed in the Public Utilities Act.

6. The authority herein granted will apply only to such stock and bonds as may be issued and sold on or before April 1, 1921.

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7. Sespe Power Corporation shall file with the Railroad Commission a verified copy of the deed under which it holds title to the property which it is herein authorized to acquire through the issue of $100,000 of its common capital stock.

It is hereby further ordered, that this application, in so far as it relates to the sale of water, be dismissed without prejudice.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-seventh day of September, 1920.

"EXHIBIT A."

Applicants in Exhibit No. 20 describe the properties which Sespe Light and Power Company asks permission to transfer to Sespe Power Corporation, as follows:

1. Right of way for roads and trails, conduits, tunnels and pipe lines, right for reservoir sites, dam sites and power house sites, and such camp sites as may be necessary in connection with the construction, operation and maintenance of the company's hydroelectric and irrigation plants and systems, according to plans on file with the District Forester, United States Forest Service, San Francisco, Cal., the State Water Commission of the State of California, and the Railroad Commission of the State of California, and any modifications or amendments thereof, upon and across the following described lands:

Lots six (6) and seven (7), section 2, township four (4) north, range twenty (20) west, San Bernardino base and meridian, Ventura County, California;

Those certain lots, pieces or parcels of land, situate, lying and being in the county of Ventura, State of California, and particularly described as follows, to wit: "Red Rose," "Wild Rose," "Shamrock" and "Thistle" placer mining claims, as recorded in book 19, pages 300, 301, 313 and 314, respectively, and the "Lake" placer mining claim, as recorded in book 21, page 218, of mining claims, in the office of the county recorder of said county, and being when official surveys are extended, the west one-half of the southeast one-quarter (W. ½ SE. ¼), the southwest one-quarter (SW. ¼), the northwest one-quarter (NW. ¼), and the west one-half of the northeast one-quarter (W. ½ NE. ¼) of section twenty-two (22) and the southeast one-quarter (SE. ¼) of section fifteen (15), respectively, all in township five (5) north, range twenty (20) west, San Bernardino meridian.

2. That certain right of way and right to pass over, across and upon the private road and trail along the Sespe Creek, commencing at the termini of the Ventura County public road, at or near the center of section one (1), township four (4) north, range twenty (20) west, S. B. M., and extending in a general northerly direction, following the course of said creek, to the company's camps, in the township five (5) north, range twenty (20) west, S. B. M., located at a point which would be approximately in the center of the north line of the northeast quarter of the southeast quarter (NE. ¼ SE. ¼) of section twenty-two (22), said township and range, if the section lines of said township were extended, and more particularly set forth in that certain stipulation made and entered into and filed with the county clerk of Ventura County, California, in the case of the *Sespe Light and Power Company* vs. *George J. Henley et al.*, No. 5524, dated April 5, 1915.

3. That certain final power permit issued by the United States Department of Agriculture, Forest Service, to Sespe Light and Power Company, dated the eighth day of October, 1917, and all extensions and amendments thereof, authorizing the company to occupy and use certain national forest lands for the construction, maintenance and operation of certain dams, conduit lines, power house, and transmission lines, on and along the Sespe River, in the Santa Barbara National Forest, Ventura County, California, to which said permit and the maps and field notes

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accompanying the application therefor, and the assignment thereof to Sespe Power Corporation, on file with the District Forester at San Francisco, California, reference is hereby specifically made for a more particular description of rights and privileges acquired thereby.

4. The right to appropriate for power purposes eighty-eight (88) cubic feet per second of the waters of the Sespe River, in Ventura County, California, granted to Sespe Light and Power Company by the State Water Commission of California by permit No. 264, dated the eighteenth day of April, 1917, to which permit reference is hereby specifically made for a more particular description of the rights and privileges thereby granted.

5. The right to appropriate for power purposes two hundred and fifty (250) cubic feet per second of the water of the Sespe River, in Ventura County, California, granted by the State Water Commission of California by permit No. ------ (Application No. 1317), dated the ---------- day of ----------, 1920, to which application and permit reference is hereby specifically made for a more particular description of the rights and privileges thereby granted.

6. Pending the application for a permit to appropriate for agricultural purposes two hundred and fifty (250) cubic feet per second of the waters of the Sespe River, in Ventura County, California, as per Application No. 1250, filed April 19, 1919, to which application reference is hereby specifically made for a more particular description of the rights and privileges thereby granted.

Together with all other properties owned by Sespe Light and Power Company necessary for the construction, operation and maintenance of public utility hydroelectric generating plants and water plants.

DECISION NO. 8167.

IN THE MATTER OF THE APPLICATION OF HUMBOLDT TRANSIT COMPANY, A CORPORATION, FOR AN ORDER AUTHORIZING IT TO RENEW A FOUR THOUSAND DOLLAR NOTE AND CONTINUE AN OUTSTANDING PLEDGE OF EIGHT OF ITS FIRST MORTGAGE FIVE PER CENT SINKING FUND THIRTY-YEAR GOLD BONDS TO WILLIAM BUTTERWORTH, AS COLLATERAL SECURITY.

Application No. 6152.

Decided September 28, 1920.

Myrick and Deering and Scott, by *J. J. Harrington*, for Applicant.

BRUNDIGE, *Commissioner*.

OPINION.

Humboldt Transit Company asks permission to issue to William Butterworth a $4,000 note bearing interest at the rate of 5 per cent per annum and being payable on or before six months after date. The company also asks permission to issue and pledge as collateral security to secure the payment of the note, $8,000 of its first mortgage 5 per cent sinking fund gold bonds.

On September 30, 1915, Decision No. 2797, the Railroad Commission authorized Humboldt Transit Company to issue a $4,000 note to finance the purchase of a tract of land, the site for its carhouse in the city of Eureka, and also authorized the company to secure the payment of the note by the deposit of $8,000 of its first mortgage bonds. Applicant reports that it is not able to pay the note and it therefore asks permission

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to issue to the holder of the note a new note upon the same terms and conditions as apply to the note now outstanding.

I herewith submit the following form of order:

ORDER.

Humboldt Transit Company having applied to the Railroad Commission for permission to issue a $4,000 note and for authority to pledge $8,000 of bonds, a public hearing having been held, and the Railroad Commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required for the purpose specified in this order and that the expenditures for such purpose are not in whole or in part reasonably chargeable to operating expenses or to income;

It is hereby ordered, that Humboldt Transit Company be and it is hereby authorized to issue its promissory note for $4,000 to William Butterworth, said note to bear interest at the rate of 5 per cent per annum and to be payable on or before six months after date. To secure the payment of the note, Humboldt Transit Company is hereby authorized to issue and pledge to said William Butterworth $8,000 of its first mortgage 5 per cent sinking fund gold bonds.

The authority herein granted is subject to the following conditions:

1. Humboldt Transit Company shall issue said note so as to net not less than the face value thereof and for the purpose of paying or refunding the $4,000 note now held by William Butterworth and referred to in this application.

2. Upon the payment of the note herein authorized, the $8,000 of bonds deposited as collateral shall be returned to applicant's treasury and shall thereafter be issued only as permitted by an order of the Railroad Commission.

3. Within thirty days after the note herein authorized to be issued shall have been issued and the bonds deposited as collateral, applicant shall file with the Railroad Commission a report as required by the Commission's General Order No. 24.

4. The note herewith authorized shall be issued by applicant on or before November 15, 1920.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-eighth day of September, 1920.

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DECISION NO. 8168.

IN THE MATTER OF THE APPLICATION OF BELVEDERE WATER COMPANY FOR AUTHORITY TO INCREASE ITS WATER RATES.

Application No. 5103.

Decided October 1, 1920.

Gibson, Dunn and Crutcher, by *S. M. Haskins*, for Applicant.

Thomas A. Berkebile, for certain consumers and Belvedere Civic Association.

BY THE COMMISSION.

OPINION.

Belvedere Water Company, applicant herein, is a public utility water company engaged in the business of selling and distributing water within that certain territory in Los Angeles County known as Belvedere. In this proceeding applicant asks for authority to increase its rates for service, alleging in effect that, due to the increased cost of labor and materials, the present schedule of rates is unremunerative and the revenue is insufficient to meet operating cost, replacement fund and interest on investment. The increase desired by applicant is set out in a schedule attached to the application and marked "Exhibit A."

Rates for this company were established by this Commission in its Decision No. 3599 in Case No. 908, dated August 26, 1916, *In the matter of the rates and service of Belvedere Water Company* (Vol. 10, page 705, Opinions and Orders of the Railroad Commission of California), to which proceeding reference is hereby made for the history of the company and matters pertaining to its operation. The Belvedere Water Company petitioned for a rehearing in the above proceeding, and it appearing to the Commission that through an error in computations the schedule of rates previously established would not return to the company the amount of revenue to which the Commission found it entitled, a revised schedule of rates was established (Decision No. 3751), which schedule is in effect at the present time. (See Vol. 11, page 518, Opinions and Orders of the Railroad Commission.)

A public hearing was held in the above entitled proceeding before Examiner Satterwhite at Los Angeles, of which hearing applicant's consumers were duly notified and given an opportunity to appear and be heard.

At the former hearing before the Commission relating to the rates of this company, the proper value for rate fixing purposes of the used and useful properties of Belvedere Water Company was fixed by the Commission as of date April 1, 1916, as $129,762. At the hearing in the present proceeding, Mr. F. H. Van Hoesen, one of the Commission's hydraulic engineers, submitted a report and appraisal wherein the cost of the properties of this company as of July 12, 1920, was estimated

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as $135,722, and a replacement fund of $4,163, arrived at by the sinking fund method, was allowed. This sum, if accumulated annually, will provide a proper fund for the replacement of worn-out properties when the end of their usefulness has been reached. No other appraisal of applicant's properties was submitted at the hearing, and the above figures, which appear to be reasonable, will be used for the purposes of this proceeding.

A study of the maintenance and operation expense was made from the books of the company, but, due to the inefficient methods of bookkeeping and incorrect distribution of accounts, it was not possible to arrive at an accurate finding. However, from the data available, and taking into consideration the increased cost of electrical energy, labor and materials which now prevail, it appears that a fair and reasonable estimate of the future annual maintenance and operation costs of this company is $30,815.

We desire to direct applicant's attention to the fact that this Commission has prescribed a uniform classification of accounts for utilities that come within its jurisdiction, and it is recommended that this company immediately install a bookkeeping system in accordance with the Commission's requirements and thereafter keep its records in the prescribed manner.

After a careful consideration of the maintenance and operation expenses and other elements going to make up the sum which should be annually produced by rates, it appears that the following are reasonable charges:

Interest on $135,722 at 8 per cent	$10,858
Replacement fund	4,163
Maintenance and operation	30,815
Total	$45,836

The total revenue derived from the operation of this system during the year 1918 was $34,090.35, and for 1919, $36,344.50, and while it appears that the revenue is gradually increasing, it is nevertheless apparent that applicant's application for authority to increase its rates should be granted. It appears that the schedule of rates which applicant desires to have established will produce an increased revenue, and will return maintenance and operation expense, replacement fund, and a certain amount for interest on investment.

ORDER.

Belvedere Water Company having applied to the Railroad Commission for authority to increase its rates for water served at Belvedere and vicinity, a public hearing having been held, and the Commission being fully advised in the premises:

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It is hereby found as a fact, that the charges of the Belvedere Water Company, in so far as they differ from the rates herein established, are unjust, unreasonable and unremunerative, and that the rates and charges herein established are just and reasonable rates.

And basing its order on the foregoing finding of fact and upon the further statements of fact contained in the opinion which precedes this order;

It is hereby ordered, that the Belvedere Water Company be and it is hereby authorized to file with the Railroad Commission of the State of California, within twenty (20) days of the date of this order, and thereafter charge, the following rates for water:

RATE SCHEDULE.

For 500 cubic feet or less, per month	$1 00
Between 500 cubic feet and 1,000 cubic feet, per 100 cubic feet	15
Between 1,000 cubic feet and 5,000 cubic feet, per 100 cubic feet	12
All in excess of 5,000 cubic feet	06
Monthly minimum payment to be—	
Services ¾-inch diameter or less	1 00
Services 1-inch diameter or less	1 25
Services 1½-inch diameter or less	1 75
Services 2-inch diameter or less	2 25
Fire hydrant rental, including water used for fire fighting, per hydrant per month	1 50
Public use, street sprinkling and street and sewer flushing—6 cents per 100 cubic feet	

It is hereby further ordered, that Belvedere Water Company be and it is hereby directed to file with the Railroad Commission for its approval, within ten days of the date of this order, rules and regulations governing the distribution of water to its consumers, said rules and regulations to be and become effective within five (5) days of their approval by the Commission.

Dated at San Francisco, California, this first day of October, 1920.

DECISION NO. 8170.

MARY ANNIE UPTON ET AL.

vs.

AMOS H. STINSON ET AL.

Case No. 1465.

Decided October 1, 1920.

WATER SERVICE—EXTENSIONS—LIMITATION OF.—The Commission holds that when utility property is devoted to public service members of the public living upon or under the system must be served without discrimination and without reference to the ownership of the property in which the service is required. Where extensions of service are needed, the question of reasonableness of the demand must likewise be treated without reference to the ownership of the property upon which service is required.

It appearing that defendants have an adequate supply of water and that the extension desired is not unreasonable, defendants directed to extend water

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mains so as to enable them to serve the residences of complainants, provided that complainants and other parties desiring service deposit with defendants a sum equal to the cost of such extension, such amount to be returned when the total amount of water bills from consumers on the extension amount to 20 per cent of the amount advanced.

A. H. Upton, for Complainants.
N. L. Fitzhenry, for Defendants.

BY THE COMMISSION.

OPINION.

The complaint alleges that defendants operate a public utility serving domestic water in and about Stinson Beach, Marin County; that complainants, whose premises are adjacent to property now served by defendants, have demanded service of domestic water, which demand has been refused.

The answer alleges that the Commission by its Decision No. 3000 of December 24, 1915 (See Vol. 8, Opinions and Orders of the Railroad Commission, page 806), upon application of defendants to establish rates, fixed rates only for water served upon defendants' subdivision; that the complainants' properties are in an adjacent subdivision known as the Charles Robinson tract; that defendants have not sufficient water to serve complainants and that complainants can secure water from wells and springs.

A public hearing was held in the matter by Examiner Westover at Stinson Beach.

It appears from the testimony that about 1871, defendant A. H. Stinson, purchased a large ranch, herein referred to as the Stinson Ranch, from Isaac Morgan, who reserved and excepted from the transaction a tract of land of about three and a half acres, which had been previously deeded to a Captain Escott and now known as Jordan tract, on which is located the structure known as Cypress Inn. The ranch consists principally of rather abrupt hills intersected by a number of canyons, with considerable flat land and beach extending along the Pacific Ocean. Soon after acquiring the property there was established upon it a summer camp and pleasure resort known as Willow Camp. This was supplied with water from a small diversion dam and tank upon one of the small streams flowing through the canyon near by. Subsequently portions of the flat land extending back upon the hills were subdivided and known as subdivisions 1, 2 and 3. Lots were sold in these subdivisions and dwellings erected from time to time.

Defendants herein at the present time serve from fifty to sixty consumers. Water for the services and consumers in Willow Camp and Dipsea Lodge, a hotel property in Willow Camp, and the two houses of Mr. Fitzhenry is furnished as part of Mr. Fitzhenry's compensation for managing the water system and Stinson Ranch. Willow Camp is owned by defendant Fitzhenry. The Jordan property, on

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which Cypress Inn is now located, has been supplied for a number of years with water from the water system of defendants.

Complainant Mary Annie Upton owns the property adjoining Willow Camp, a large part of which has been subdivided and is now known as the Charles Robinson tract, a number of the lots having been sold for residence and camp purposes. She has also established on the tract a summer camp and resort, known as Camp Upton. About thirty acres of her tract have not yet been subdivided. She and the other complainants wish to obtain water at present for their residences built on the Charles Robinson tract. Mrs. Upton also owns a residence in one of the subdivisions of the Stinson Ranch and is a regular consumer supplied by the water system of defendants. For some time she has been hauling water in barrels from defendants' water service on her property in the subdivision of Stinson Ranch, not only for the use of herself and family but for the use of her summer camp and the three other complainants who have erected residences upon property purchased from her.

The position of the defendants in the matter is that they have not an abundance of water and wish to retain all the water they have to aid them in the sale of lots in their subdivision of the Stinson Ranch. They argue that the Commission's Decision No. 3000 purports to fix rates only for water to be furnished upon Stinson Ranch and is in sympathy with their desire to retain the water upon their own property or for the use of those to whom they sell lots. An examination of the opinion and order, however, shows that the only reference to such a limitation is in the first paragraph of the opinion, in which the application is described as one seeking "an order fixing the rates for water furnished to the inhabitants of the subdivisions of lands within the boundaries of what is known as Stinson Ranch * * *." The order is silent as to the territory to be served and so are all portions of the opinion initiated by the Commission. It is apparent, therefore, that we are free to discuss the territory to be served upon its merits without reference to the language used by applicants in their previous application for the establishment of rates.

As the Commission has indicated in many previous decisions, when utility property is devoted to public service members of the public living upon or under the system must be served without discrimination and without reference to the ownership of the property in which the service is required. Where extensions of service are needed the question of the reasonableness of the demand for service must likewise be treated without reference to the ownership of the property upon which service is required.

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We turn therefore to the question of the adequacy of water supply and the reasonableness of the demand for an extension of service.

It appears from the report in evidence of Mr. M. R. Mackall, one of the Commission's hydraulic engineers, who made an investigation and inspection of the source of supply, that there is an ample supply for the needs of the present consumers and for the immediate future and that the adequacy of service can be greatly increased by proper measures to conserve the supply and to provide additional storage facilities.

As to the reasonableness of the extension, it appears that all of the complainants can be served by an extension of mains of about 1000 feet. The topography of the ground is such that these extensions can be made into the adjoining subdivisions at reasonable cost. It appears from the evidence that other services will probably be required in subdivisions of the Stinson Ranch and also in the Charles Robinson tract, when the water facilities are improved as suggested.

The present rates established by Decision No. 3000 were those requested by defendants. Complainants expressed their willingness to pay reasonable rates based upon cost of operation, allowance for depreciation and an ample return upon investment in the water system. It is the policy of the Commission to require high-class service and to allow sufficient rates to justify such service. If it is found that present rates do not justify the necessary extensions to serve complainants, the defendants may file new application to adjust rates when the question of adequate compensation in rates will be investigated by the Commission. It is apparent, however, that the complainants are entitled to the service described in the complaint.

ORDER.

Complainants, Mary Annie Upton et al., having applied to this Commission for an order requiring Amos H. Stinson et al., defendants, to serve them with water at Stinson Beach, a public hearing having been held, and the Commission being fully apprised in the premises;

It is hereby ordered, that defendants Amos H. Stinson, Mabelle Idella Skinner and Newman L. Fitzhenry be and they are hereby directed to serve water to the complainants at their respective properties by an adequate extension of their mains and services upon the following conditions and not otherwise:

1. That the complainants and any other parties desiring services upon the same extension deposit with the defendants a sum of money sufficient to cover the reasonable cost of said extension, upon receipt of which amount the defendants will construct the extension within sixty days.

2. That the said sum of money is to be returned to the respective depositors at such time in the future as the total amount of the annual

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water bills from all consumers on the extension shall amount to 20 per cent of the amount of money originally advanced to the defendants.

Dated at San Francisco, California, this first day of October, 1920

DECISION NO. 8172.

IN THE MATTER OF THE APPLICATION OF JACKSON WATER WORKS FOR THE ESTABLISHMENT OF METER RATES.

Application No. 4896.

Decided October 1, 1920.

Grace E. DePue, for Applicant.

BY THE COMMISSION.

OPINION.

Emily V. Blair is the owner of a public utility water system which is operated under the fictitious name and style of Jackson Water Company, through which system water is supplied to consumers in Jackson, Amador County, California, and of which one Grace E. DePue is manager.

In this proceeding application is made in the name of Jackson Water Company for authority to establish meter rates for service.

A public hearing was held in this matter before Examiner Westover at Jackson, California, of which hearing all interested parties were notified and given an opportunity to be present and be heard. At the hearing applicant requested not only authority to establish a meter rate, but also asked that the flat rates be revised so that an adequate return would be realized upon the investment.

The water supply for Jackson Water Company is purchased from the Pacific Gas and Electric Company's ditch and stored in two 43,000-gallon tanks from which it is delivered by gravity to the distribution system. The contract under which water is purchased provides for a payment of 20 cents per miner's inch day and terminates January 1, 1922. In 1918 the average number of consumers was 368. At the present time there are about 340 consumers.

An estimated cost of the system was submitted by the Commission's hydraulic engineers amounting to $25,374. Applicant presented no appraisal but agreed to accept that of the Commission's engineers. However, the value of certain rights of way and intangibles were not included in this appraisal and after an examination of the record it appears fair that an interest return be allowed upon the sum of $28,000. The replacement fund computed by the sinking fund method is $398. This latter sum, accumulated annually, is designed to provide a proper fund for the replacement of worn-out properties.

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The gross revenues and maintenance and operation expense of the utility for recent years is as follows:

	1916	1917	1918	1919
Gross revenue	$9,791 72	$9,742 59	$9,077 00	$8,958 41
Maintenance and operation expense	5,096 71	5,788 12	7,732 73	6,398 39

An investigation showed that the large increase in maintenance and operation expense in 1918 was due to the inclusion therein of certain capital expenditures.

After a careful consideration of all the conditions under which the utility operates it appears that a reasonable allowance for future maintenance and operation expense is $6,750.

Summarizing, it appears that the following are the elements going to make up the sum which should annually be produced by rates:

Interest on $28,000 at 8 per cent	$2,240 00
Replacement fund	398 00
Maintenance and operation	6,750 00
Total	$9,388 00

Inasmuch as applicant purchases all of the water which it distributes at a meter rate, and has been selling same upon a flat rate basis, we desire to direct attention to the fact that such a practice is uneconomical. Where water is sold on a flat rate basis there is always a tendency toward wasteful and extravagant use of water. It is impossible to establish a schedule of flat rates whereby the burden of maintaining a water system of this character is equitably distributed among the various consumers in proportion to their use of water. The benefits to be derived from a metering of the system is not only an equitable distribution of the charges, but is also a means whereby the water can be conserved.

The evidence in this proceeding and all facts relating to the operation of this company indicate that this is a case in which the application for increased rates should be granted. The schedule established in the following order is designed to return to applicant maintenance and operation expense, replacement fund and a reasonable amount for interest on the investment.

ORDER.

Application having been made to the Railroad Commission as entitled above, a public hearing having been held, and the Commission being fully informed in the matter:

It is hereby found as a fact that the rates now charged by applicant for water delivered to consumers are unjust and unreasonable in so far as they differ from the rates herein established and that the rates herein

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established are just and reasonable rates to be charged for such service, and basing its order upon the findings contained in the opinion preceding this order;

It is hereby ordered, that Jackson Water Works be and it is hereby authorized and directed to file with the Railroad Commission within twenty days from the date of this order and thereafter charge the following rates for water delivered to consumers:

MONTHLY FLAT RATES.

1. For residences and tenements of not more than 5 rooms, including bath and toilet	$1 25
Additional for each room	25
Additional for each bathtub	20
Additional for each toilet	20
Additional for each private garage and one automobile	25
For each additional automobile	25
Additional for private barn not more than 2 horses or cows	50
For each additional horse or cow	20
2. Sprinkling of lawns, shrubbery, trees, gardens, etc., per square yard of surface actually watered	005
3. Blacksmith shops, machine shops, lumber yards, printing offices, bakeries, undertaking parlors, grocery stores, dental offices, theaters, warehouses, butcher shops and large stores	3 00
4. Drug stores and photograph galleries	3 50
5. Bottling works, creameries, slaughter houses and laundries	5 00
6. Banks, professional offices, billiard parlors, fraternal halls, club rooms, churches, shoe shops, plumbing shops, stores and shops not otherwise listed	1 50
7. Office buildings, for each room	50
8. Restaurants and cafes, per unit of seating capacity	15
9. Livery stables and feed yards, per average number of stock fed, each	25
Minimum payment per month	2 50
10. Barns in connection with stores, shops, etc., not more than 2 horses	50
For each additional horse	25
11. Public garages, 6 autos or less	3 00
For each additional auto	50
12. Soda fountains or ice cream parlors, either alone or in connection with other business	2 00
13. Additional for each bathtub, toilet or urinal in 3 to 12 inclusive	30
14. Barber shops, per chair	1 00
Additional for each bathtub	1 00
Additional for each toilet	50
15. Soft drink parlors	3 00
Additional for each toilet	50
Additional for each urinal	30
16. Hotels:	
Dining room	2 00
Bedrooms with running water	25
Bedrooms without running water	10
Additional for each bathtub	50
Additional for each toilet	30
Additional for each urinal	30
17. Steam engines, per horsepower	10
18. Public drinking fountain	1 50
19. Public watering trough	2 50
20. Building work:	
For mortar and to dampen 1,000 bricks	35
For cement work per barrel	15
21. Water motors, depending on size	$1 00 to 3 00

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22. Private fire hydrants, including water used for extinguishing fires:	
1½-inch hydrants, each	50
3 -inch monitor	1 50
23. Cold storage machines, in addition to other rates	$1 50 to 5 00
24. Water for industrial use or for all purposes not otherwise specified will be charged for at meter rates.	

PUBLIC USE.

1. For fire hydrants, including water used for extinguishing fires:	
Hydrants, 2-inch or larger, per month	$0 75
Hydrants, less than 2-inch, per month	50
2. Sprinkling roads or streets, by city or county, measured by wagon tank capacity, per 100 cubic feet	10
3. Public buildings, school houses, including grounds, and all other public use, to be charged at regular meter rates.	

METER RATES.

⅝-inch meters	$1 00
¾-inch meters	1 50
1 -inch meters	2 00
1½-inch meters	2 50
2 -inch meters	3 00
3 -inch meters	5 00

Monthly meter rates.

From 0 to 400 cubic feet, per 100 cubic feet	$0 25
From 400 to 2000 cubic feet, per 100 cubic feet	15
Over 2000 cubic feet, per 100 cubic feet	10

And it is further ordered, that applicant herein file with the Railroad Commission, within sixty days from the date of this order, revised rules and regulations governing the supply of water to consumers and shall put them into effect within five (5) days of their approval by this Commission.

Dated at San Francisco, California, this first day of October, 1920.

DECISION NO. 8173.

IN THE MATTER OF THE APPLICATION OF JAMES McCULLOUGH FOR AN ORDER AUTHORIZING A SALE OF THE AUKUM AND L. A. WRIGGLESWORTH TELEPHONE LINE, SITUATED IN EL DORADO AND AMADOR COUNTIES.

Application No. 5243.

Decided October 1, 1920.

James McCullough, in propria persona.

BY THE COMMISSION.

OPINION.

James McCullough applies for authority to transfer to L. E. Dean and Gertrude Dean, his wife, a telephone line in El Dorado and Amador counties.

Mr. and Mrs. Dean join in executing the application.

A public hearing in the matter was held by Examiner Westover at Plymouth.

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The line in question consists of about thirty-five miles of poles and wire extending between Plymouth and Omo Ranch via Aukum and Fairplay and known as the L. A. Wrigglesworth telephone line. It was constructed and operated by Mr. Wrigglesworth and upon his death passed to his widow, who shortly before her death conveyed the line without authority to applicant McCullough, who is not financially able to give the line the attention it deserves and wishes to convey it to a person better fitted for its conduct. The agreed consideration is $200, payable in four equal installments, the first upon receiving the approval of the Commission, and $50 each on January 1 and July 1, 1921, and January 1, 1922.

Mr. McCullough is administrator of the estate of Mrs. Wrigglesworth, all creditors have been paid, final account of the administrator has been approved, and the assets ordered distributed. Under the circumstances we treat the application as one joined in by him as administrator and will require that he execute the transfer in his capacity as administrator, as well as individually.

We are satisfied that the unauthorized transfer to applicant was made in ignorance of the law and without attempt to evade it and that Mr. Dean is ready, able and willing to satisfactorily operate the line and that the transfer is in the public interest.

ORDER.

Application having been filed by James McCullough to transfer the telephone property hereinafter described and a public hearing having been held upon the application;

It is hereby ordered, that James McCullough be and he is hereby authorized and empowered to transfer to Lonny E. Dean and Gertrude Dean, his wife, the telephone line in Amador and El Dorado counties, connecting Plymouth, Aukum, Fairplay and Omo Ranch, together with the poles, wires, instruments, and other properties used in connection therewith on the following conditions:

1. The authority herein contained to transfer property shall extend only to such instruments of transfer as may be hereafter executed within eighteen months from date hereof and joined in by applicant as administrator of the estate of Mrs. Wrigglesworth.

2. Within ten days after said transfer has been executed and delivered said Dean shall report in writing to the Commission the fact and date of such transfer with copy thereof, with statement of the amount paid and thereafter to be paid on account of said transfer.

3. Said report to the Commission shall be accompanied by copy of the transfer hereby authorized.

Dated at San Francisco, California, this first day of October, 1920.

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DECISION NO. 8174.

IN THE MATTER OF THE APPLICATION OF THE NOVATO UTILITIES COMPANY FOR PERMISSION TO ESTABLISH METERED WATER RATES.

Application No. 5371.

Decided October 1, 1920.

J. W. Cain and *C. H. Towle*, for Applicant.

BY THE COMMISSION.

OPINION.

The application in the above entitled proceeding alleges in effect that the present rates for water supplied to consumers do not provide sufficient revenue to yield operating expenses, depreciation and a reasonable return upon the investment. The Commission is therefore asked to establish an adequate schedule of rates.

A public hearing was held in San Francisco at which all interested parties were given an opportunity to be present and be heard.

The Novato Utilities Company is engaged in the business of supplying electric light, power, telephone service and water to consumers in Novato and vicinity, Marin County. The company supplies water to about forty-seven consumers at flat rates of $1.50 per month for residences of any size, and of 75 cents per month for stores.

The water supply is secured by pumping from wells into a cement-lined reservoir from which it is distributed to consumers by gravity.

The applicant submitted an appraisal of the water utility property amounting to $6,478. The Commission's hydraulic engineers' report shows an appraisement of this plant based upon records of actual original cost, and revised in some particulars, of $5,535; a depreciation annuity, calculated upon the sinking fund method, of $75; and a reasonable annual allowance for maintenance and operation expense of $572. A consideration of the evidence leads to the conclusion that these estimates are fair and they are used herein.

The total annual charges, based upon the foregoing figures, are $1,090, and revenues from June 1, 1919, to May 31, 1920, were $852. It is therefore evident that applicant is entitled to an increase in rates and the schedule established in the accompanying order will do substantial justice to both the utility and the consumers.

ORDER.

The Novato Utilities Company having made application in the above entitled matter, a public hearing having been held thereon, and the Commission being fully informed in the matter:

It is hereby found as a fact that the rates now charged by Novato Utilities Company for water supplied to its consumers are unjust and

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unreasonable in so far as they differ from the rates herein established and that the rates herein established are just and reasonable rates for such service, and basing its order upon the foregoing finding of fact and upon the statements of fact contained in the preceding opinion;

It is hereby ordered, that Novato Utilities Company be and it is hereby authorized and directed to file with the Railroad Commission within twenty days from the date of this order and thereafter charge the following rates for water delivered to its consumers in Novato and vicinity:

MONTHLY FLAT RATES.

Residences	$1 50
Stores	1 00
Additional for each bathtub	15
Additional for each toilet	15
For each garage, with not more than one automobile	25
For each additional automobile	25
For each horse or cow	25
For sprinkling or irrigation of lawns, gardens, shrubbery, trees, etc., between May 1 and November 1, per square yard of surface actually watered	005
Fire hydrants, on 3-inch mains or larger, including water used for fighting fires, each	1 00

MONTHLY METER RATES.

From 0 to 500 cubic feet, per 100 cubic feet	$0 20
From 500 to 5000 cubic feet, per 100 cubic feet	18
All over 5000 cubic feet, per 100 cubic feet	15
Minimum payment	1 00

And it is hereby further ordered, that Novato Utilities Company file with the Railroad Commission within thirty days from the date of this order rules and regulations for governing service to its consumers.

Dated at San Francisco, California, this first day of October, 1920.

DECISION NO. 8175.

IN THE MATTER OF THE APPLICATION OF PACIFIC GAS AND ELECTRIC COMPANY, A CORPORATION, FOR AN ORDER OF THE RAILROAD COMMISSION APPROVING A CERTAIN AGREEMENT DATED APRIL 15, 1920, BY AND BETWEEN PACIFIC GAS AND ELECTRIC COMPANY, THE BANK OF CALIFORNIA, NATIONAL ASSOCIATION, AND BLYTH, WITTER AND COMPANY, AND AUTHORIZING THE ISSUE OF TEMPORARY CERTIFICATES AND HYPOTHECATION AND PLEDGING OF ITS REGISTERED GENERAL AND REFUNDING MORTGAGE GOLD BONDS OR BONDS OF THE FACE OR PAR VALUE OF FIFTEEN MILLION DOLLARS ($15,000,000) PURSUANT TO SAID AGREEMENT.

Second Supplemental Application No. 5598.
Decided October 1, 1920.

DEVLIN, *Commissioner*.

SECOND SUPPLEMENTAL OPINION.

By Decision No. 7452, dated April 21, 1920, and Decision No. 7812, dated June 29, 1920, the Railroad Commission authorized Pacific Gas

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and Electric Company to issue and sell at not less than 92¾ per cent of their face value plus accrued interest, $10,000,000 of temporary certificates to be exchanged for $10,000,000 of five-year 7 per cent collateral trust convertible gold notes.

The order of the Commission permits the company to use $5,200,959.59 of the proceeds from the temporary certificates or gold notes to reimburse its treasury because of moneys expended for plant extensions, additions and betterments and the acquisition of properties, provided that after such reimbursement, the money is used to pay for the construction of permanent extensions, additions and betterments to the properties of Pacific Gas and Electric Company or advanced to Mount Shasta Power Corporation for the acquisition or construction of hydroelectric power plants, transmission lines and properties appurtenant thereto. The remainder of the proceeds the company may expend only for such purposes as the Railroad Commission will authorize.

Applicant reports that it has sold all the notes and that up to June 30, 1920, it had received on account of such sale the sum of $8,705,515. Payment has not been received for $614,000 face value of notes.

Applicant also reports that it has sold all, except $183,400 par value of the stock which it is authorized to issue under Decision No. 6468, dated June 30, 1919, as amended, and that there was due it on June 30, 1920, for stock sold the sum of $5,505.

Applicant further reports that from January 31, 1920, to June 30, 1920, it expended on account of the construction of plant extensions, additions and betterments the sum of $2,887,615.06 and $6,460 to acquire 190 shares of stock of Northern California Power Company, Consolidated, the purchase of which has been authorized by the Commission. The engineering department of the Commission has examined the plant expenditures and finds them to be reasonable. In "Exhibit D," attached to the supplemental petition, applicant reports the estimated cost of extensions, additions and betterments to its plants and properties at $7,666,581.75.

Applicant asks permission to use $2,876,211.06 of the proceeds from the sale of certificates of indebtedness or of five-year notes to reimburse its treasury on account of expenditures from January 31, 1920, to June 30, 1920, against which this Commission has not authorized the issue of any stock, bonds or notes. The remainder of the proceeds, together with the proceeds from the sale of stock, to which reference has been made, it desires to use to pay the cost of constructing additions and betterments referred to in "Exhibit D." The Commission has not examined all of the construction estimates set forth in "Exhibit D," and therefore the authority herein granted should not be inter-

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preted as approving the entire construction program as therein set forth.

I herewith submit the following form of order:

SECOND SUPPLEMENTAL ORDER.

Pacific Gas and Electric Company having applied to the Railroad Commission for permission to use the proceeds from the sale of temporary certificates convertible into five-year 7 per cent collateral trust convertible gold notes, or the proceeds from the sale of such notes and from the sale of preferred stock, to which reference has been made in the foregoing opinion, and having asked the Commission to modify its former orders, and the Commission being of the opinion that applicant's request should be granted subject to the conditions of this order;

It is hereby ordered, that the order in Decision No. 7452, dated April 21, 1920, as modified by the order in Decision No. 7812, dated June 29, 1920, be and it is hereby amended so as to permit Pacific Gas and Electric Company to use $2,876,211.06 of the proceeds obtained from the sale of temporary certificates or five-year 7 per cent collateral trust convertible gold notes to reimburse its treasury because of moneys expended for extensions, additions and betterments and the acquisition of properties from January 31, 1920, to June 30, 1920, provided that after such reimbursement the money be used to pay for the construction of permanent extensions, additions and betterments to the properties of Pacific Gas and Electric Company or advanced to Mount Shasta Power Corporation for the acquisition or construction of hydroelectric power plants, transmission lines and properties appurtenant thereto.

It is hereby further ordered, that the order in Decision No. 7452, dated April 21, 1920, as amended by Decision No. 7812, dated June 29, 1920, be and it is hereby modified so as to permit Pacific Gas and Electric Company to use the proceeds from the sale of its $10,000,000 of temporary certificates or five-year 7 per cent collateral trust convertible gold notes in excess of $8,077,170.56 to pay in part the cost of constructing the extensions, additions and betterments referred to in "Exhibit D" attached to the supplemental petition in Application No. 5598.

It is hereby further ordered, that the order in Decision No. 6468, dated June 30, 1919, as amended, be and it is hereby modified so as to permit Pacific Gas and Electric Company to use the proceeds from the sale of $183,400 par value of preferred stock together with $5,505 due on subscriptions for preferred stock, to pay in part for the construction of the extensions, additions and betterments referred to in

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"Exhibit D" attached to the supplemental petition in Application No. 5598.

It is hereby further ordered, that the order in Decision No. 6468, dated April 21, 1920, as amended, and the order in Decision No. 6468, dated June 30, 1919, as amended, shall remain in full force and effect, except as modified by this second supplemental order.

The foregoing second supplemental opinion and second supplemental order are hereby approved and ordered filed as the second supplemental opinion and second supplemental order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this first day of October, 1920.

DECISION NO. 8178.

IN THE MATTER OF THE APPLICATION OF THE MIDDLE YUBA HYDRO-ELECTRIC POWER COMPANY FOR AN ORDER OF THIS COMMISSION AUTHORIZING IT TO INCREASE ITS RATES FOR ELECTRIC ENERGY.

Application No. 5925.

Decided October 1, 1920.

Nilon and Nilon, by *Frank W. Nilon*, for Applicant.

BY THE COMMISSION.

OPINION.

In this application Middle Yuba Hydro-Electric Power Company, hereinafter referred to as applicant, alleges that it purchases its entire supply of electric energy from Pacific Gas and Electric Company; that rates at which this energy is sold by Pacific Gas and Electric Company have been increased by 15 per cent, and unless a corresponding increase of 15 per cent in applicant's rates be authorized it will suffer great loss and will be unable to continue in business.

A public hearing held before Examiner Satterwhite at Grass Valley on August 13, 1920, was attended by a number of consumers, and although no direct protest was made against such increase in rates as might be found proper by the Commission, several consumers protested that on account of the short notice of the hearing, and the inaccessibility of their mines and places of business, they had had no opportunity of preparing a presentation of their side of the case. Applicant introduced its testimony and the matter was submitted with the understanding that any consumer so desiring was to be furnished with copies of applicant's figures and would have the opportunity of filing written answer or of demanding further hearing. One consumer has taken advantage of this opportunity and has filed a written protest against certain parts of applicant's evidence. Copy of this protest

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has been furnished applicant and a copy of its answer thereto has been furnished the consumer and filed with the Commission. The matter is now ready for decision.

In Decision 5482 in Application 3701 (Opinions and Orders of California Railroad Commission, Vol. 15, page 837), is set forth in full the character of applicant's business and the history of its past operations. In Application No. 4140, a valuation was made by the Commission of the property used and useful in the business as now conducted, and in Decision No. 6066 in this proceeding (Opinions and Orders of California Railroad Commission, Vol. 16, page 412), a schedule of rates was established which was based upon this valuation and upon the operating expenses as they existed at that time. The results of applicant's operations under this schedule of rates during the year 1919 and the first six months of 1920 are set forth in the following table, together with a statement of the results of continuing operations for another year with present rates and with costs which the evidence in this case shows will exist:

TABLE No. 1.

Middle Yuba Hydro-Electric Power Company, Capital, Revenue, and Expenses.

	1919	1-1-20 to 6-30-20 inclusive	Year 1920-21 under existing conditions
Additions and betterments	$1,180 42		
Fixed capital December 31	62,062 42		
Average capital	61,472 21		
Material and supplies and working cash	6,000 00		
Capital	67,472 00		
Revenue:			
Lighting	$1,463 80	$690 28	$1,560 00
Power	21,797 82	14,521 70	21,200 00
Merchandise and jobbing	3,391 51	718 96	1,500 00
Total	$26,653 13	$15,930 94	$27,260 00
Expenses:			
Purchased energy	$13,115 36	$8,168 76	$16,800 00
Other operating expenses	9,525 80	3,661 67	9,550 00
Taxes	1,290 94	1,102 98	1,450 00
Total	$23,932 10	$12,933 41	$27,800 00
Net for depreciation and return	$2,721 03	$2,997 53	*$540 00
Depreciation	1,600 00	800 00	1,600 00
Net for return	$1,121 00	$2,197 00	*$2,140 00
Rate of return	1.67%	6.55%	

*Deficit.

This table shows a marked increase in business during the first six months of 1920 as compared with the year 1919. A study of past operations shows a steady decline in the amount of current sold,

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beginning early in 1917 and continuing through the summer of 1918. From that time until the fall of 1919 applicant's business has been fairly uniform. Since then the business has been increasing and while a forecast of any business connected with an industry such as mining is very difficult, 1920 and the ensuing years promise to be more comparable with 1918. The operating expenses other than cost of purchased energy, shown for the first six months of 1920, are subject to slight question as the figures submitted were not properly segregated between operating expenses and capital expenditures. As the evidence shows that no lines have been built nor power consumers connected during this period any additions to capital must have been of a minor nature and their inclusion in operating expenses is negligible. Applicant includes among its expenses certain interest payments which are more properly a part of the return on the investment than operating expenses and are not considered herein as the latter.

The last column of this table shows that relief is necessary if applicant is to earn its operating expenses and a reasonable allowance for depreciation, without reference to return on the investment. Applicant's lighting rates are already as high as those which prevail in any part of the state, and as the income from lighting service is only about 6 per cent of the total operating revenue, an increase in lighting rates which might prove burdensome to its consumers would be of little benefit. The increase of 15 per cent asked for by applicant if applied to its power rates will result in an increased revenue of approximately $3,600 per year. Increased by this amount, the net income available for depreciation and return will not exceed 7 per cent on applicant's capital. It is, therefore, apparent that applicant's request for a 15 per cent increase in rates is not unreasonable and that any further increase in return through more than anticipated increases in business can not possibly result in an unreasonably large income.

The 15 per cent surcharge on the rates at which electricity is sold by Pacific Gas and Electric Company to applicant is effective on meter readings taken after July 10, 1920, and before April 10, 1921, and applicant asks that the increase in its rates be made effective for the same time. As the granting of this part of the petition would involve rebilling consumers and collecting from them additional amounts covering service supplied during three months already passed, it seems advisable that the increase in applicant's rates be not made retroactive, but that the necessary increase should be made effective for such time in the future as will enable applicant to meet the present increased cost of power.

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ORDER.

Middle Yuba Hydro-Electric Power Company having applied to the Railroad Commission for authority to increase its rates 15 per cent, a public hearing having been held, the matter submitted and being now ready for decision:

The Railroad Commission of the State of California hereby finds as a fact that the rates now charged by Middle Yuba Hydro-Electric Power Company for electricity are unreasonable and inadequate, and that the rates hereinafter established are, under present conditions, fair and reasonable rates.

Basing its order on the foregoing finding of fact and on the findings of fact contained in the opinion preceding this order;

It is hereby ordered, that Middle Yuba Hydro-Electric Power Company be and it is hereby authorized to charge and collect, in addition to the rates and charges for power service set forth in its schedules of rates on file with the Railroad Commission, a surcharge of 15 per cent on all bills based on power schedules Nos. 3 and 4, which surcharge shall apply on all bills based on regular meter readings taken on and after the tenth day of October, 1920, and before the tenth day of July, 1921, unless otherwise ordered by this Commission.

Dated at San Francisco, California, this first day of October, 1920.

DECISION No. 8188.

IN THE MATTER OF THE APPLICATION OF KERN ISLAND IRRIGATING CANAL COMPANY AND KERN ISLAND CANAL COMPANY FOR AN ORDER AUTHORIZING THE SALE OF PROPERTY AND THE ISSUE OF COMMON STOCK.

Application No. 6163.

Decided October 1, 1920.

McCutchen, Willard, Mannon and Greene, by *J. A. Mannon, Jr.*, for Applicants.

LOVELAND, *Commissioner.*

OPINION.

Kern Island Irrigating Canal Company asks permission to sell and transfer all of its properties to Kern Island Canal Company. A description of the properties is attached hereto and marked "Exhibit A." Kern Island Canal Company asks permission to purchase the properties and to issue $300,000 of stock for the purposes hereinafter indicated.

Kern Island Irrigating Canal Company was organized October 6, 1870. Its corporate life expires October 6, 1920. The company has outstanding $150,000 of stock, and on August 31, 1920, was indebted

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to the Kern County Canal and Water Company in the sum of $103,474.17. Kern County Canal and Water Company owns all of the outstanding stock of Kern Island Irrigating Canal Company, excepting shares necessary to qualify directors.

The testimony of F. G. Munzer, secretary of the Kern Island Irrigating Canal Company, shows that about 35,000 acres of land are at present irrigated through and by means of the company's canal system.

In Exhibit No. 1, applicants report the assessed value of the properties of the Kern Island Irrigating Canal Company, located in Bakersfield, at $68,020, and the assessed value of the properties outside of the city at $237,457, making a total of $305,477.

The company's properties located within the city of Bakersfield consist of three miles of 20-foot ditch and six city blocks, together with certain improvements. The records show that the properties in the city are assessed at their full value and those outside at about 60 per cent of their value. The right to the use of 300 cubic feet of water from the Kern River is not assessed either by the city or county, according to the testimony herein.

Kern Island Canal Company, recently organized, has an authorized stock issue of $300,000, divided into 3000 shares of the par value of $100 each. The company asks permission to issue three shares to qualify directors, and 2997 shares in payment for the properties of Kern Island Irrigating Canal Company. When the transfer of the properties is finally consummated and Kern Island Irrigating Canal Company dissolved, the 2997 shares of stock will become the property of Kern County Canal and Water Company, which now owns all of the outstanding stock of Kern Island Irrigating Canal Company, except shares necessary to qualify directors. No change in the management of the canal system will result from the transfer of the properties.

It appears from the entire record herein that the sole and only purpose of this application and proceeding is to meet the necessities occasioned by the expiration of the existing charter of Kern Island Irrigating Canal Company. The findings of fact and the order herein are therefore made with that situation in mind and for that reason such findings and the order herein shall not be construed as a finding, declaration, order or authority for anything other or different than what is before the Commission in the present proceeding.

I herewith submit the following form of order:

ORDER.

Kern Island Irrigating Canal Company having applied to the Railroad Commission for permission to sell all of its properties to Kern Island Canal Company, and Kern Island Canal Company having applied for permission to purchase said properties and to issue $300,000

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par value of its common stock, a public hearing having been held, and the Railroad Commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required by the Kern Island Canal Company, and that the expenditures for such purpose, as herein authorized, are not in whole or in part reasonably chargeable to operating expenses or to income;

It is hereby ordered, that Kern Island Irrigating Canal Company be and it is hereby authorized to sell, subject to existing indebtedness, for $299,700 all of its properties, more particularly described in "Exhibit A" attached hereto, to Kern Island Canal Company.

It is hereby further ordered, that Kern Island Canal Company be and it is hereby authorized to purchase said properties and issue $300,000 of its common capital stock.

The authority herein granted is subject to the following conditions:

1. Of the stock herein authorized to be issued, $300 shall be sold at par for the purpose of qualifying directors of Kern Island Canal Company and the proceeds obtained from the sale of such stock used as working capital. The remainder of the stock herein authorized, $299,700, shall be delivered to Kern Island Irrigating Canal Company in part payment for the properties which Kern Island Irrigating Canal Company is herein authorized to sell to Kern Island Canal Company and which are more particularly described in "Exhibit A" attached hereto.

2. The consideration at which the public utility properties herein authorized to be transferred shall not be considered as a measure of value of said properties for rate making or any purpose other than the transfer herein authorized.

3. Kern Island Canal Company shall within sixty days after the acquisition of the properties of Kern Island Irrigating Canal Company, file with the Railroad Commission a verified copy of the deed under which it holds title to said properties and advise the Commission of the date on which it took possession of the properties.

4. Kern Island Canal Company shall keep such record of the issue and sale of the stock herein authorized and of the disposition of the proceeds as will enable it to file, on or before the twenty-fifth day of each month, a verified report as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

5. The authority herein granted will apply only to such stock as may be issued on or before November 15, 1920.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this first day of October, 1920.

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EXHIBIT A.

In applicants' Exhibit No. 3, the properties which Kern Island Irrigating Canal Company (party of the first part) asks permission to sell and transfer to Kern Island Canal Company (party of the second part) are described as follows:

All those certain lots, pieces or parcels of land, situate, lying and being in the County of Kern, State of California, and particularly described as follows, to wit:

Blocks numbers one hundred and seventeen (117), one hundred and eighteen (118), one hundred and nineteen (119), one hundred and twenty (120), one hundred and twenty-one (121), and one hundred and twenty-two (122), in the town of Bakersfield, according to the map entitled "Map of Northern Division of the Town of Bakersfield," dated March fifteenth, one thousand eight hundred and eighty-nine, and filed in the office of the county recorder of said County of Kern April twenty-sixth, one thousand eight hundred and eighty-nine, which said map is a photographic copy of that certain original map made by and according to the surveys of W. R. MacMurdo, county surveyor of Kern County, California.

Also, the said party of the first part does hereby grant, bargain and sell, convey and confirm, transfer, assign and set over unto the party of the second part all of its franchises and business; all of its lumber, horses, harnesses, carts, implements and tools, mess and kitchen furniture and household goods; all of its water and water rights, and particularly its right to take and divert water from the Kern River and any of its branches or tributaries; all of its canals and ditches, including its irrigating system consisting of nineteen (19) miles, more or less, of ditch twenty (20) feet in width, beginning in the northwest quarter of section ten (10), township twenty-nine (29) south, range twenty-eight (28) east, Mount Diablo base and meridian, and running thence in a southwesterly direction and ending at the south line of section thirty-one (31), township thirty-one (31) south, range twenty-eight (28) east, Mount Diablo base and meridian, together with all rights of way, gates, head gates, side gates, weirs, syphons, culverts, bridges and lateral ditches; and, in addition, all other property of whatsoever character, whether real, personal or mixed, and wheresoever situate, belonging to the said party of the first part, excepting only its franchise to be a corporation.

It is the intent of the party of the first part hereby to grant, bargain and sell, convey and confirm, transfer, assign and set over, unto said party of the second part, and said party of the first part does hereby grant, bargain and sell, convey and confirm, transfer, assign and set over unto said party of the second part, its successors and assigns forever, all its property and assets of whatever character and wheresoever situate.

Together with all and singular the tenements, hereditaments and appurtenances thereunto belonging, or in anywise appertaining, and the reversion and reversions, remainder and remainders, rents, issues and profits thereof.

To have and to hold all and singular the said premises, together with the appurtenances, unto the said party of the second part, and to its successors and assigns forever.

The party of the second part by the acceptance of this conveyance hereby assumes all of the obligations and liabilities of said Kern Island Irrigating Company.

DECISION NO. 8195.

IN THE MATTER OF THE APPLICATION OF MIDWAY GAS COMPANY FOR AN ORDER AUTHORIZING IT TO SELL, AND THE SOUTHERN CALIFORNIA GAS COMPANY TO BUY, A GAS DISTRIBUTING SYSTEM IN THE TOWN OF NEWHALL.

Application No. 5608.

Decided October 5, 1920.

BY THE COMMISSION.

OPINION.

This is an application by Midway Gas Company for authority to sell, and Southern California Gas Company to purchase, a gas dis-

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tributing system located in the town of Newhall. Midway Gas Company is not primarily engaged in the retailing of gas, and for this reason desires to dispose of the property. The system is operated by Southern California Gas Company at the present time, which company reads meters, bills and collects for service rendered consumers for the account of the Midway Company, and, in turn, charges Midway Gas Company for the cost of rendering such service. The transfer of the properties is for the purpose of eliminating the present arrangement and to simplify the relations between the two companies, and, if effected, will result in a more direct service to the consuming public.

The parties hereto have entered into an agreement dated April 7, 1920, by which Midway Gas Company agrees to sell, and Southern California Gas Company to buy, the gas distributing system in the town of Newhall, located within certain boundaries set forth therein, and consisting of mains, pipes, rights of way, easements, licenses of like privileges, meters, services, regulators and other property used in or in connection with the said distributing system, excepting and reserving therefrom all transmission mains which conduct gas through the town. The agreement also provides for the transfer of the seller's office equipment and materials and supplies used in connection with the distributing system located in the town of Newhall. The agreement further provides for the manner of transfer of title and for the payment of taxes due prior to and subsequent to the transfer. The seller agrees to pay for the operation, maintenance or construction of the property prior to the date of transfer. The price at which the property is to be transferred is the sum of $5,642.02 plus the cost of any additions to the properties since December 31, 1919. The purchase price is to be paid concurrently with the delivery of deed.

The application states that the price at which the properties are to be transferred is the actual cost of installation thereof. An inspection and investigation of the properties show that the agreed price is a reasonable one and that the transfer thereof, as applied for, is in the interests of the public.

ORDER.

The Railroad Commission of the State of California being of the opinion that the granting of the authority herein sought will be in the public interest and that a hearing is not necessary in this matter;

It is hereby ordered, that Midway Gas Company be and it is hereby authorized to sell to Southern California Gas Company the gas distributing system and properties described in the agreement attached to the application herein.

It is hereby further ordered, that Southern California Gas Company be and it is hereby authorized to purchase said gas distributing system

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and properties for the sum of $5,642.02 plus the cost of any additions which have been made to said properties since December 31, 1919.

The authority herein granted is upon the following conditions and not otherwise:

1. Within sixty days after the acquisition of the said gas distributing system, Southern California Gas Company shall file with the Railroad Commission, for approval, a stipulation duly authorized by its board of directors, declaring that Southern California Gas Company, its successors and assigns, will never claim, in any proceeding of any character before the Railroad Commission or any other public authority, a value for the franchises or permits which it may acquire from Midway Gas Company in excess of the amount paid by the original grantee for such franchises, or permits to the public authority granting the same, which amount shall be specified in said stipulation.

2. The consideration at which the public utility properties are herein authorized to be transferred shall not be considered as a measure of value of said properties for rate making or any purpose other than the transfer herein authorized.

3. The authority herein granted will apply only to such transfer as may be made on or before sixty days from the date of this order.

Dated at San Francisco, California, this fifth day of October, 1920.

DECISION No. 8202.

IN THE MATTER OF THE APPLICATION OF SOUTHERN CALIFORNIA EDISON COMPANY FOR AUTHORITY TO SELL, AND OF ONTARIO POWER COMPANY TO PURCHASE, A CERTAIN ELECTRICAL DISTRIBUTION LINE ON BASE LINE ROAD, SAN BERNARDINO COUNTY.

Application No. 6100.

Decided October 5, 1920.

BY THE COMMISSION.

OPINION.

In this proceeding Southern California Edison Company seeks authority to sell, and Ontario Power Company to buy, a certain 15,000-volt electrical distribution line located on Base Line road, San Bernardino County, and certain branch lines extending therefrom, all of which are more particularly described in the proposed bill of sale attached to the application.

It appears that it is necessary for Ontario Power Company, in the proper conduct of its business as a public utility distributing electric energy, to maintain and operate an electric distribution line along the course of the line now owned and operated by Edison company, and

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that the transfer of the line now owned by Edison company to Ontario Power Company would render unnecessary the building of another line by Ontario company.

The Edison company now supplies two consumers from said line, who will be supplied by the Ontario company in the event that the line is transferred. It further appears that the Ontario company could serve with electricity all persons desiring such service from said line as well as could Edison company, and that in the event of the sale of said line Ontario Power Company desires to assume the obligation of serving such consumers and Edison company to be relieved of such obligation.

The line was originally installed in the year 1904 at an estimated cost of $10,400, and it is stated that the present value of said line is $12,500. The bill of sale attached to the application herein describes in detail the location and character of the main and branch lines and appurtenances to be transferred. The property to be transferred does not include, however, the 15,000-volt transformers connected to said line or branches or any service line extending therefrom.

ORDER.

The Railroad Commission of the State of California being of the opinion that the granting of the authority sought will be in the public interest and that a hearing is not necessary in this matter;

It is hereby ordered, that Southern California Edison Company be and it is hereby authorized to sell to Ontario Power Company the electrical system described in the bill of sale attached to the application herein.

It is hereby further ordered, that Ontario Power Company be and it is hereby authorized to purchase said electrical system for the sum of $12,500 in cash.

The authority herein granted is upon the following conditions and not otherwise:

1. Within sixty days after the acquisition of the said electrical distribution system, Ontario Power Company shall file with the Railroad Commission, for approval, a stipulation duly authorized by its board of directors declaring that Ontario Power Company, its successors and assigns, will never claim, in any proceeding of any character before the Railroad Commission or any other public utility, a value for the franchises or permits which it may acquire from Southern California Edison Company in excess of the amount paid by the original grantee for such franchises or permits to the public authority granting the same, which amount shall be specified in said stipulation.

2. The consideration at which the public utility properties are herein authorized to be transferred shall not be considered as a measure of

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value of said properties for rate making or any purpose other than the transfer herein authorized.

3. The authority herein granted will apply only to such transfer as may be made on or before sixty days from the date of this order.

Dated at San Francisco, California, this fifth day of October, 1920.

DECISION NO. 8204.

IN THE MATTER OF THE APPLICATION OF STEAM AND ELECTRIC INTERURBAN RAILROADS AND BOAT LINE COMMON CARRIERS TO INCREASE FREIGHT AND PASSENGER RATES AND FARES.

Application No. 5728.

Decided October 6, 1920.

BY THE COMMISSION.

THIRD SUPPLEMENTAL ORDER.

Whereas, the Railroad Commission by Decision No. 7983, in Application No. 5728, dated August 17, 1920, authorized the applicants therein to make certain increases in freight and passenger rates, and it appearing from the record in the proceeding and for good cause shown, that the order made for the *minima* charge should be amended to cover only the freight rates or charges, thus conforming with the order of the Interstate Commerce Commission in its Docket *Ex parte* No. 74;

It is hereby ordered, that the order in the original report be amended to read:

Minima.—Present minimum freight rates or charges are not to be disturbed. The minimum passenger charges may be increased by the percentage heretofore set forth.

Dated at San Francisco, California, this sixth day of October, 1920.

DECISION NO. 8205.

IN THE MATTER OF THE APPLICATION OF TWIN CITIES GAS COMPANY, A CORPORATION, FOR AN ORDER REVISING ITS RATES AND CHARGES FOR GAS.

Application No. 6029.

Decided October 6, 1920.

Gibson, Dunn and Crutcher, by *H. F. Prince*, for Applicant.

Robt. Adams, for City of Beaumont.

Frank L. Miller, City Attorney, for the City of Banning.

BY THE COMMISSION.

OPINION.

This is an application by Twin Cities Gas Company for authority to revise and increase its rates and charges for gas served to its con-

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sumers in the cities of Beaumont and Banning. Applicant alleges that its present rates, which have been effective since it commenced operations, have proved inadequate to provide sufficient revenue to pay operating expenses.

A public hearing was held before Examiner Satterwhite at Beaumont on September 17, 1920, evidence presented, and the matter thereupon submitted.

Applicant is engaged in supplying artificial gas in the cities of Beaumont and Banning, operating a gas-producing plant located at Beaumont and a distribution system in the two cities. The plant was formerly owned and operated by the Riverside County Gas and Power Company and was acquired by applicant in October, 1919, after service had been discontinued. Gas operations were resumed in the two communities on January 8, 1920.

As the cities of Beaumont and Banning had been without gas for some time prior to applicant taking over the plant, there were no data available upon which to fix a just and adequate gas rate. The Commission, in its Decision No. 6725, in Application No. 4951, stated that the rates therein recommended, which were submitted by applicant herein, were experimental and subject to review after a reasonable application.

Applicant's revenue has, during the past eight months of operation, been less than was expected and the expenses greater. At the time of the reorganization of these properties applicant was guaranteed 350 consumers in the two cities. At no time, however, has the actual number of consumers been more than 324, and the average number for the whole period only 285. Since the resumption of operations the cost of oil at Beaumont has increased from $2.12 per barrel in November, 1919, to $2.82 in June, 1920, with a further increase to $3.19 becoming effective in September of this year, and applicant has been further notified that this cost of oil will be increased to $3.34 effective in October.

Due to the short period of operation and the insufficiency of the records kept by applicant, it is difficult even now to establish a basis upon which to fix a reasonable rate. The records covering applicant's operations for the month of August, 1920, show a loss of $502, and it is apparent that with a further increase in the price of oil a greater deficit will occur in the future if relief is not immediately granted.

It is the opinion of the Commission's gas engineers who have made a special inspection of the property, that applicant has been using an excessive quantity of oil in proportion to the amount of gas sold, and steps should be taken to improve the efficiency of its plant.

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At the time the properties were taken over by applicant an estimate of the depreciated value of the properties was made, which showed a cost less depreciation of approximately $25,300. Since that time the company claims to have expended approximately $30,500 in improvements to plant and distribution system, making an approximate valuation of the present properties about $56,000. Some deductions from this amount should be made by reason of subsequent abandonments.

It is readily apparent that if applicant is to continue in the gas business its rates must be materially increased in order to cover the increased cost of operation, both as to labor and supplies, and net applicant sufficient to set aside an adequate depreciation allowance and meet its bond interest and give a slight margin of profit upon its business.

Applicant requests in its petition that a specific rate be fixed. However, since the application was filed, further increase in the price of oil has occurred, which necessitates a higher rate than originally sought. With efficient operation, the rates herein established will produce revenue sufficient to pay operating expenses, depreciation and bond interest, and are considered as high as can at this time be charged for the service.

ORDER.

Twin Cities Gas Company having applied to the Railroad Commission for authority to increase its rates and charges for gas service in Beaumont and Banning, a public hearing having been held and the matter submitted and being now ready for decision:

The Railroad Commission of the State of California hereby finds as a fact that the rates now charged for gas service by the Twin Cities Gas Company are not just and reasonable rates in so far as they are not sufficient to pay operating expenses and a return upon its investment, and to the extent that they differ from the rates herein established, which rates, under present conditions, are fair and reasonable rates for gas service.

Basing its order on the foregoing finding of fact and on the other findings of fact contained in the opinion which precedes this order;

It is hereby ordered, that Twin Cities Gas Company be and it is hereby authorized to charge and collect for gas the following schedule of rates, effective for all regular meter readings taken on and after the sixteenth day of October, 1920, to wit:

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SCHEDULE "A."

GENERAL GAS SERVICE.

(Applicable to the entire territory served by Twin Cities Gas Company.)

Rate.

Based upon monthly consumption per meter:

	100 cubic feet	$1	25
	200 cubic feet	1	50
	300 cubic feet	1	75
	400 cubic feet	2	00
	500 cubic feet	2	25
	600 cubic feet	2	50
	700 cubic feet	2	75
	800 cubic feet	3	00
	900 cubic feet	3	25
First	1,000 cubic feet	3	50
Next	4,000 cubic feet	3	00 per 1,000 cubic feet
Next	5,000 cubic feet	2	75 per 1,000 cubic feet
All over	10,000 cubic feet	2	50 per 1,000 cubic feet

Minimum Charge.

$1.25 per meter per month.

Provided, Twin Cities Gas Company shall, within ten days of the date of this order, file with the Railroad Commission the schedule of gas rates herein established.

Dated at San Francisco, California, this sixth day of October, 1920.

DECISION NO. 8207.

IN THE MATTER OF THE APPLICATION OF MERCHANTS TRANSPORTATION COMPANY FOR AUTHORITY TO INCREASE FREIGHT RATES.

Application No. 5982.

Decided October 6, 1920.

RIVER BOAT RATES—DEPRECIATION—AMOUNT CHARGEABLE TO.—Common carriers as well as other public utilities are entitled to earn, in addition to current operating expenses and a return upon the investment, an amount sufficient to make good depreciation to the property due to wear and tear and natural causes, and while granting the petition of applicant to increase river freight rates, the Commission does not pass as final upon its claim for depreciation amounting to 12 per cent on vessels, 15 per cent on equipment and 10 per cent on furniture, until further independent investigation is made into depreciation of equipment such as used by applicant and similar carriers.

David L. Levy, for Applicant.

Seth Mann and *H. M. Remington*, for San Francisco Chamber of Commerce.

LOVELAND, *Commissioner*.

OPINION.

This application is one of a group of eight filed on August 2, 1920, under section 63 of the Public Utilities Act, for authority to establish a uniform schedule of rates, rules and regulations covering the transportation of freight between ports and landings on the Sacramento

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River south of the city of Sacramento, on the San Joaquin River west of the city of Stockton, including intermediate landings on connecting rivers and sloughs, and points located on San Francisco Bay and its tributary waters.

The rates now in effect by the Merchants Transportation Company are practically identical with those of the other seven companies forming the group referred to above and while the character of service performed is similar, if not identical, the proposed rates are the same as those authorized by Decision No. 7986, in Application No. 5841, August 23, 1920, for eight large companies, represented by Woodward Campbell, agent.

The schedule of class rates proposed is approximately 25 per cent higher than rates now in effect. A comparison of the two scales follows:

CLASS RATES.

(Rates in cents per 100 pounds.)

	1	2	3	4	5
Present	27½	25	21½	19	12½
Proposed	34½	31½	27	24	15½
Increases	7	6½	5½	5	3

Under the application the commodity rates vary both as to the percentages of increases proposed and, in instances, as to the basis upon which the charges would be assessed. The proposed tariff also contains reduced rates, additional rules and regulations and new rates applying to service not heretofore covered by schedule.

A hearing on the application was held at San Francisco on August 30, 1920, at which testimony and exhibits were offered on behalf of Merchants Transportation Company only, further hearing on applications of carriers associated with this company being, by reason of failure to bring forward supporting facts, postponed to a later date. Oral testimony adduced went largely to support applicant's allegations as to increased operating costs, with special reference to labor, fuel, materials and supplies.

Exhibit No. 1 is a general balance sheet as of June 30, 1920, showing assets amounting to $95,557.83, including reserve for depreciation of $12,105.66. Practically all of the vessels and equipment were constructed or purchased new in 1919. An operating statement for the year ending June 30, 1920, the only full year applicant operated as a public utility, filed as Exhibit No. 2, shows a net profit of only $414.82. This statement, however, includes in the operating expenses depreciation on vessels of 12 per cent, on equipment 15 per cent and on furni-

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ture and fixtures 10 per cent per annum, amounting to $12,105.66; also an interest item of $4,800 and, therefore, the net profit given does not represent the actual result. At the Commission's direction, an operating statement was compiled making an estimate for twelve months ending June 30, 1921, using the increased rates proposed in the application and the increased operating costs now in effect and in immediate prospect, averaging approximately 25 per cent. The result is as follows:

Gross operating revenue		$127,058 46
Gross operating expenses, including taxes, insurance, rent, etc.		109,665 74
Net operating profit		$17,392 72
Less interest on loan	$4,800 00	
Depreciation (as claimed)	12,105 66	
		16,905 66
Estimated net income for 12 months ending June 30, 1921		$487 06

In submitting these estimates applicant stated that it was highly improbable, in view of the ideal operating conditions obtaining last year, upon which these estimates are based, that the net profit indicated, or any profit at all, will be realized. In 1919 a strike among employees of competing lines drove an unusual volume of business to applicant; the high market price of the principal commodities carried, the resulting short harvest period and the peak loading, added materially to the revenues. These favorable conditions can not, it is stated, recur in the ordinary course during the next fiscal year to the financial advantage of applicant.

It is a matter of common knowledge, and the record in this proceeding abundantly shows, that operating expenses have greatly increased during the past few years. The depreciation charged for the year ending June 30, 1920, as heretofore stated, was 12 per cent on vessels, 15 per cent on equipment and 10 per cent on furniture and fixtures, which basis is in excess of the average claimed by companies and individuals operating vessels of a similar class in the same territory. Common carriers, as well as other public utilities, are entitled to earn, in addition to current operating expenses and a return upon the investment, an amount sufficient to make good depreciation to the property due to wear and tear and natural causes. The loss is constantly taking place and, therefore, an amount of money should be set aside each year for replacing the property when the parts become unfit for further use. Because of the comparative newness of this equipment the amount to be set aside annually for depreciation is difficult to determine.

In application No. 5841, of Woodward Campbell, agent for eight of the larger companies operating between San Francisco, Sacramento and

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Stockton, the oral testimony on depreciation varied, depending upon the class of the vessel, being 10 per cent on high-class boats receiving careful attention, to 20 per cent on barges doing the heavy and rough work, but in the exhibits furnished in that proceeding the depreciation was based upon 10 per cent per annum on all of the depreciative property. In that application, the carriers were granted authority to increase rates, it being shown that most of them operated at a loss before any deductions were made for depreciation.

The net operating profit of this applicant, as estimated for the year ending June 30, 1921, is $17,792.72, while the claimed value of the property devoted to the public service is $95,557.83. If depreciation of 10 per cent be allowed, or $9,555.78, instead of $12,105.66, the estimated net income would be $8,236.94, or approximately 8½ per cent.

The Commission does not here pass upon the reasonableness of a depreciation of 10 per cent, but is relying upon the sworn testimony of some twenty witnesses who appeared in Application No. 5841 and this Application, No. 5982.

The question of depreciation is being made the subject of an independent investigation and the results of the investigation will be considered when the reports are received from the carriers whose rates we have permitted to be increased.

The proposed rates are no higher than those now being assessed by the principal boat lines in the Sacramento River and San Francisco Bay districts, and in consideration of all of the statements and testimony, and by reason of the conditions generally surrounding the service, I am of the opinion that this application should be granted, with the understanding, however, that at the end of a period of twelve full months, dating from the effective date of the tariffs containing the increased rates, applicant shall submit to the Commission a complete operating statement showing revenue and expenses in detail during such period.

I recommend the following form of order:

ORDER.

Merchants Transportation Company having applied to this Commission for authority to increase and adjust freight rates and establish rules and regulations, as set forth in an exhibit designated Local Freight Tariff No. 3 (C. R. C. No. 3) filed with and made part of the application, a hearing having been held thereon, and the matter having been submitted;

It is hereby ordered, that applicant be and the same is hereby authorized to publish, file and place in effect schedule of rates, rules and regulations conforming to the said exhibit, entitled Local Freight Tariff No. 3, C. R. C. No. 3, accompanying the application.

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The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this sixth day of October, 1920.

DECISION NO. 8208.

IN THE MATTER OF THE APPLICATION OF SIERRA AND SAN FRANCISCO POWER COMPANY, A CORPORATION, FOR AN ORDER OF THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA, AUTHORIZING THE ISSUANCE OF FIRST MORTGAGE BONDS OF THE FACE VALUE OF ONE MILLION DOLLARS.

Application No. 3601.

Decided October 6, 1920.

BY THE COMMISSION.

FIRST SUPPLEMENTAL ORDER.

Whereas, the Railroad Commission by Decision No. 5376, dated May 2, 1918, as amended, authorized Sierra and San Francisco Power Company to issue and sell, on or before December 31, 1920, at not less than 80 per cent of their face value and accrued interest, $1,000,000 of its first mortgage 5 per cent forty-year gold bonds payable August 1, 1949, for the purpose of reimbursing the company's treasury in part because of expenditures on capital account prior to February 28, 1918; and

Whereas, Sierra and San Francisco Power Company has been unable to sell the bonds, but has agreed in the lease executed pursuant to the authority granted in Decision No. 7032, dated January 17, 1920, to deliver them to the Pacific Gas and Electric Company to secure the payment of advances by Pacific Gas and Electric Company to cover the cost of extensions, additions and betterments to the properties of Sierra and San Francisco Power Company; and

Whereas, Pacific Gas and Electric Company reports that it has advanced to Sierra and San Francisco Power Company to July 31, 1920, the sum of $306,052.13, and is committed to construct extensions, additions and betterments to the properties of Sierra and San Francisco Power Company, costing in excess of $1,000,000; and

Whereas, Pacific Gas and Electric Company asks that the $1,000,000 of bonds authorized by the order in Decision No. 5376, dated May 2, 1918, be delivered to it to secure the payment of advances, and the Commission being of the opinion that Sierra and San Francisco Power Company should be permitted to deliver said bonds subject to the conditions of this order; now, therefore,

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It is hereby ordered, that the order in Decision No. 5376, dated May 2, 1918, be and it is hereby modified so as to permit Sierra and San Francisco Power Company to deliver the $1,000,000 of bonds authorized to be issued and sold by the order in Decision No. 5376, dated May 2, 1918, to Pacific Gas and Electric Company, $408,000 of said bonds to be delivered forthwith on account of advances up to July 31, 1920, and the remainder of the bonds from time to time on account of advances made or to be made subsequent to July 31, 1920, included in the "Capital Expenditure Account" referred to in the lease, provided that not exceeding $1,000 face value of bonds be delivered by Sierra and San Francisco Power Company for each $750 advanced by Pacific Gas and Electric Company and property included in "Capital Expenditure Account."

It is hereby further ordered, that the order in Decision No. 5376, dated May 2, 1918, as amended, shall remain in full force and effect, except as modified by this first supplemental order.

Dated at San Francisco, California, this sixth day of October, 1920.

DECISION NO. 8210.

IN THE MATTER OF THE APPLICATION OF EL DORADO STAGE COMPANY TO SELL, AND THE MOTOR TRANSIT COMPANY, INCORPORATED, TO PURCHASE, CERTAIN OPERATIVE RIGHTS AND PERSONAL PROPERTY, AND TO ISSUE ONE HUNDRED FIVE THOUSAND DOLLARS OF COMMON STOCK OF MOTOR TRANSIT COMPANY TO EL DORADO STAGE COMPANY IN PAYMENT THEREFOR.

Application No. 5964.

Decided October 6, 1920.

Applicant El Dorado Stage Company, operating an automobile passenger service between Los Angeles and Bakersfield and Taft, authorized to transfer its operative rights and equipment to the Motor Transit Company, and the latter to issue and deliver one hundred five thousand dollars par value of its common capital stock in exchange therefor.

Harry A. Encell and *H. W. Kidd*, for Applicant.

LOVELAND, *Commissioner*.

OPINION.

The El Dorado Stage Company, a corporation, and the Motor Transit Company, Incorporated, have made application to the Railroad Commission to sell and transfer certain operative rights for the conduct of an automobile passenger stage service between Los Angeles and Bakersfield, Taft and the intermediate points, applicant El Dorado Stage Company desiring to sell, and applicant Motor Transit Company desiring to purchase, acquire and hereafter operate said service.

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The operative rights herein sought to be transferred are those acquired by the applicant, El Dorado Stage Company, a corporation, by virtue of its having operated prior to May 1, 1917, the transfer of operative rights herein set forth to be made upon an agreement filed with the application in this proceeding.

Motor Transit Company asks permission to issue $105,000 of stock to acquire the properties owned by El Dorado Stage Company. The properties to be acquired include the right to operate stages over the following designated routes in the counties of Los Angeles and Kern, State of California:

1. Between the city of Los Angeles, California (202 East Fifth street), and Bakersfield and all way points, via Los Angeles street, Sunset boulevard, Cahuenga road, Lankershim boulevard, through the cities of Lankershim and San Fernando, then on the state highway through Newhall, Saugus and over the Ridge route and state highway to Bakersfield, Eighteenth and Chester streets.

2. Between the city of Los Angeles and Taft, California, and all way points, over the same road to Greenfield, thence to Taft, Fourth and Center streets.

The properties consist of eleven 8-passenger and six 11-passenger Packard touring cars, one 8-passenger White touring car, machinery, tools, materials, supplies, office furniture and fixtures. The original cost of the stages is reported at $64,428.44, and that of the supplies, materials, tools, office furniture and fixtures at $16,638.04, making a total of $81,066.48. The replacement value of the cars is reported by applicants at $125,500, and that of all the properties which Motor Transit Company asks permission to acquire through the issue of stock, at $142,138.04. Applicant reports that it has an option to purchase these properties at $105,000.

A hearing was held on the application at Los Angeles on September 8, 1920, and the matter submitted without protest.

Upon consideration of the facts set forth in the application and the testimony of the witnesses, I am of the opinion that the application should be granted, but the authority herein given to issue stock should not be interpreted as approving the replacement value of the properties.

ORDER.

A public hearing having been held in the above entitled application, the same having been submitted and being now ready for decision;

It is hereby ordered, that the application for transfer be and the same is hereby granted, subject to the following conditions:

First—That the applicant, El Dorado Stage Company, a corporation, will be required to cancel its tariffs of fares and time schedule

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on file with the Railroad Commission, in accordance with General Order No. 51 and other regulations of the Railroad Commission.

Second—That the applicant, Motor Transit Company, Incorporated, will be required to immediately file with the Railroad Commission its tariff of fares and time schedule, in duplicate, or will adopt as its own the tariff and time schedule heretofore filed by the applicant, El Dorado Stage Company, a corporation, such fares, charges and time schedule to be identical with those heretofore filed by the applicant, El Dorado Stage Company, a corporation.

Third—The rights and privileges of transfer hereby authorized may not again be sold, leased, transferred, discontinued, nor assigned unless the written consent of the Railroad Commission to such sale, lease, transfer, discontinuance or assignment has first been secured.

Fourth—No vehicle may be operated by the applicant, Motor Transit Company, Incorporated, unless such vehicle is owned by it or is leased by it for a specified amount on a trip or term basis, the leasing of equipment not to include the services of a driver or operator. All employment of drivers or operators of leased cars shall be made on the basis of a contract by which the driver or operator shall bear the relation of an employee to the transportation company by whom such driver or operator is engaged.

It is hereby further ordered, that the Motor Transit Company, Incorporated, having applied to the Railroad Commission for permission to issue $105,000 of common stock, and the money, property or labor to be procured or paid for by such issue being reasonably required for the purpose or purposes specified in this order, and the expenditures for such purpose or purposes not being in whole or in part reasonably chargeable to operating expenses or to income;

It is hereby ordered, that the Motor Transit Company, Incorporated, be and it is hereby authorized to issue and deliver on or before November 15, 1920, in payment for the properties of El Dorado Stage Company, set forth in the petition herein, $105,000 of its common capital stock, provided that Motor Transit Company, Incorporated, will keep such record of the issue and delivery of the stock herein authorized and of the disposition of the proceeds as will enable it to file, on or before the twenty-fifth day of each month, a verified report as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this sixth day of October, 1920.

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DECISION NO. 8211.

IN THE MATTER OF THE APPLICATION OF CROWN STAGE COMPANY TO INCREASE RATES.

Application No. 4576.

Decided October 6, 1920.

DEPRECIATION—AUTO STAGE EQUIPMENT—RATES.—Applicant's claim for an allowance for depreciation on auto stage equipment, amounting to 50 per cent, is held to be either excessively high or the class of equipment used uneconomically adapted to the stage business.

AUTO STAGE LINES—RATE OF RETURN—OPERATIVE RIGHTS—COST OF.—The Commission refuses to allow a return upon amounts paid for operative rights in excess of their actual cost to the original grantee, and a return of 29.15 per cent on applicant's investment, as shown by the present investigation, is held to be excessive and warrants further investigation on the Commission's own initiative. Petition to increase rates denied.

Clyde Bishop, for Applicant.

W. H. Powell, for Motor Transit Company.

BY THE COMMISSION.

OPINION.

A. B. Watson, sole owner and proprietor of Crown Stage Company, has applied to the Railroad Commission for an order authorizing an increase in rates and fares between points served by such line in Los Angeles and Orange counties.

A public hearing on this application was conducted by Examiner Handford at Santa Ana, the matter was duly submitted, and is now ready for decision.

Applicant is operating stage lines between Pomona and Long Beach, from Santa Ana to Balboa Beach, from Santa Ana to Long Beach, from Santa Ana to Laguna Beach, from Santa Ana to Orange, Anaheim and intermediate points and from Santa Ana to Los Angeles.

At the hearing on this application, applicant withdrew the request for a readjustment of rates between Santa Ana, Orange and intermediate points and also stated that no consideration of a rate readjustment on the so-called valley line from Santa Ana to Los Angeles was contemplated in this application. Applicant bases his request for a readjustment of rates, which readjustment would result in an increase, upon the increased operating costs entering into the conduct of the stage business, and witnesses testified as to increase in various items entering into the cost of operation and there was also filed exhibits setting forth the receipts and expenditures over certain periods. By reference to these exhibits it appears that the value of the equipment used in the stage business by applicant as of March 31, 1920, is $66,024.61. Applicant's Exhibit No. 1 filed at the hearing on this proceeding shows receipts derived from operation during the period June 1, 1919, to March 31, 1920, inclusive, total $104,016.82. The expense

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of operation during the same period shows a total of $94,681.54 or a net return of $9,325.28. In the operating expenses has been figured depreciation at the rate of fifty per cent per annum and it was testified by Mr. Watson that his experience with his class of cars used on this line justifies a depreciation of fifty per cent in that the cars are of no value for the stage business after two years used. This is an exceptionally high rate of depreciation and would indicate that the particular type of car used on the line under consideration is not economically adapted to the stage business. An analysis of detailed data supporting the item of incidental expense as appearing on the applicant's exhibit hereinabove referred to shows two items which are improperly shown as operating expenses: one shown as the right to operate Rose Line, in amount $1,900, the other the right to operate Ogden Line, $10,000. These amounts are those paid by Mr. Watson to the proprietors of other lines that he has purchased with the consent of the Railroad Commission and the items are presumed to cover franchise value, good will, going concern value, or other intangibles by whatever term called, there having been no tangible property acquired for such specific items which have been entered as "incidental expense." The statement above referred to furnished as an exhibit covers a period of ten months and therefore five-sixths of the above amounts which have been spread over an annual period are properly deductable from the total statement of operating expenses as appearing above. The Commission will not allow in a rate basis of any carrier any amount for so-called operative right, other than the expense actually paid for the securing of a certificate of public convenience and necessity. Deducting the above mentioned amounts, which erroneously appear as operating expenses, the correct statement of operating expenses for the above period is $84,764.89 and the correct net amount derived from operation during the period above mentioned is $19,251.93. After allowing the very liberal depreciation claimed by applicant, the net amount received from operation results in a return of 29.15 per cent on the investment amounting to $66,024.61 and, in the opinion of the Commission, such return is in excess of a reasonable return on the capital invested and justifies an inquiry on the Commission's initiative as to the reasonableness of the present rates of fare as charged by the applicant. Such inquiry is this day instituted on the Commission's initiative.

The application will be denied.

ORDER.

A public hearing having been held in the above entitled proceeding, the matter having been duly submitted, and the Commission being fully advised;

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It is hereby ordered, that this application be and the same hereby is denied.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this sixth day of October, 1920.

DECISION No. 8212.

IN THE MATTER OF THE APPLICATION OF MOUNT SHASTA POWER CORPORATION AND PACIFIC GAS AND ELECTRIC COMPANY FOR A CERTIFICATE THAT PUBLIC CONVENIENCE AND NECESSITY REQUIRE THE CONSTRUCTION OF CERTAIN POWER PROJECTS AND TRANSMISSION LINES.

Application No. 6044.

Decided October 6, 1920.

W. B. Bosley and *C. P. Cutten*, for Applicants.

DEVLIN, *Commissioner*.

OPINION.

In this proceeding Mount Shasta Power Corporation and Pacific Gas and Electric Company ask for a certificate from this Commission declaring that public convenience and necessity require the construction of certain hydroelectric plants on the Pit River in Northern California, and the construction of certain transmission lines for the delivery of electricity to be thereby produced.

It is the plan and purpose of Mount Shasta Power Corporation to construct five or more hydroelectric plants on the Pit River, utilizing the waters thereof between the confluence of the Fall River and the lower end of the Big Bend, between which points the construction of power plants and appurtenances will develop in excess of 300,000 kilowatts. The waters of the Pit River and its tributaries to be used in the proposed developments possess remarkable uniformity of flow and the topography of the territory is such that power can be efficiently developed by the construction of dams, conduits, tunnels, penstocks and power plants and appurtenances.

Applicant is now actively engaged in the construction of the first unit of this development, known as Fall River Plant No. 1, and contemplates the completion of the same during the year 1921. It is engaged in further engineering surveys and studies upon which will be based the subsequent developments at various lower points on the Pit River. The electricity produced in the plants to be thus constructed will be carried through high voltage transmission lines from the power plants into the Sacramento Valley and eventually to San Francisco Bay.

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Pacific Gas and Electric Company, which controls Mount Shasta Power Corporation through stock ownership, joins in the application. Pacific Gas and Electric Company will receive the principal part of the electricity generated in the proposed power plants and will distribute the same through its own system throughout the territory it now supplies and may hereafter supply with electricity.

Applicants have acquired, and are engaged in acquiring lands, easements and rights necessary for the developments herein contemplated. Transmission lines to be constructed by Mount Shasta Power Corporation are covered by a franchise acquired from the California Power and Manufacturing Company, which runs for a period of fifty years from November 7, 1913, under an ordinance of the county of Shasta duly passed on that date.

A more detailed description of the several power developments and of the transmission lines to be constructed is set forth in the application. Notice of this application, in accordance with applicants' petition, has been given to the principal electric corporations with which Pacific Gas and Electric Company is in competition, from whom no protest has been received.

The funds to be used in the construction of the facilities for the development and transmission of power herein proposed will for the present be supplied by Pacific Gas and Electric Company. The permanent financing of Mount Shasta Power Corporation will be subsequently effected.

The construction of the hydroelectric power developments herein proposed and the transmission and utilization of the electricity generated thereby will add substantially to the power resources of northern and central California in supplying the constantly increasing demand for electricity for industrial, agricultural and commercial purposes.

Finding that public convenience and necessity will be subserved by the approval of this application, I recommend that it be granted substantially as set forth in the petition herein, and submit herewith the following form of order:

ORDER.

Mount Shasta Power Corporation and Pacific Gas and Electric Company having filed with the Railroad Commission an application for a certificate that public convenience and necessity require the construction of hydroelectric plants with reservoirs, dams, conduits and appurtenances on and near the Pit River, Shasta County, California, and the construction of electrical transmission lines from said plants, notice of hearing of said application having been published as required by this Commission, a public hearing having been held on

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said application, and the Commission finding as a fact that present and future public convenience and necessity require and will require such construction, substantially as set forth in the petition herein;

It is hereby ordered, that a certificate for such construction be and the same is hereby granted.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commisson of the State of California.

Dated at San Francisco, California, this sixth day of October, 1920.

DECISION No. 8216.

IN THE MATTER OF THE APPLICATION OF OCEAN SHORE RAILROAD COMPANY FOR AN ORDER PERMITTING IT TO DISCONTINUE OPERATING ITS LINE OF RAILROAD BETWEEN ARMY AND ILLINOIS STREETS IN THE CITY AND COUNTY OF SAN FRANCISCO AND TUNITAS IN THE COUNTY OF SAN MATEO, ITS SOUTHERLY TERMINUS, AND BETWEEN A POINT JUST SOUTH OF ARMY AND KANSAS STREETS TO THE CORNER OF TWELFTH AND MISSION STREETS IN THE CITY AND COUNTY OF SAN FRANCISCO, AND TO REMOVE ITS TRACK AND ALL APPURTENANCES THERETO CONSTITUTING THE SAID LINE OF RAILROAD.

Application No. 6070.

Decided October 9, 1920.

ABANDONMENT OF SERVICE—RAILROAD COMPANIES—COMPETITIVE SERVICE.—In authorizing applicant to abandon and dismantle its properties the Railroad Commission holds that the shippers and passengers in a given territory are the determinative body as to whether they will have a railroad or automotive shipping and passenger service, and where it has been shown that a railroad is offering reasonably good transportation facilities with scarcely sufficient traffic to support its operation due to the traffic-producing population of the territory served electing to adopt a competitive mode of transportation, the railroad must of necessity be granted permission, if it desires, to discontinue service.

McCutchen, Willard, Mannon & Greene, by *F. F. Thomas, Jr.*, for Applicant.

Harry A. Encell, for Coast Side Promotion Association.

M. D. Johnson, for Montara Realty Development Co., and for himself, protestant.

Seth Mann, for San Francisco Chamber of Commerce.

Joseph M. Cummings, for the Downtown Association.

J. M. Cummings, representing certain industries of San Francisco.

F. W. Sawyer, for the Arleta Tract Association.

DEVLIN, *Commissioner*.

OPINION.

In this proceeding Ocean Shore Railroad Company, a corporation, asks the Railroad Commission to make an order authorizing it to discontinue operating its line of railroad in the city and county of San Francisco and in the county of San Mateo, commencing at Illinois and Army streets in the city and county of San Francisco, and

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extending to Tunitas in San Mateo County, together with its branch line commencing just at a point south of Army and Kansas streets and extending to Twelfth and Mission streets in the city and county of San Francisco and remove its tracks and all appurtenances thereto. In brief, this application involves the discontinuance of all operations from Tunitas northward to and within the city and county of San Francisco. The request of applicant is based upon the ground that its operating revenues are not sufficient to meet operating expenses and necessary disbursements, irrespective of a return on the investment.

Ocean Shore Railroad Company was organized in 1911 and acquired the properties of Ocean Shore Railway Company through foreclosure sale. The company owns 53.63 miles of main line track—38.08 miles extending from Tunitas northward to San Francisco and 15.55 miles from Swanton southward to Santa Cruz. The former mileage constitutes the northern division, the latter the southern division. The discontinuance of service over the southern division is before the Commission in another proceeding.

The Ocean Shore Railway Company, predecessor to Ocean Shore Railroad Company, applicant herein, intended to construct and operate a double-track electric railway between San Francisco and Santa Cruz by way of Ocean View and the shore line of the Pacific Ocean. At the time construction ceased, there was built 38.15 miles of single track, standard gauge, southerly from San Francisco to Tunitas, and 15.5 miles northerly from Santa Cruz to Scott Junction, with a short branch line from Scott Junction to Swanton. No line of railway has been built between Scott Junction and Tunitas, a distance of 26 miles. Only about 2.4 miles in San Francisco are electrically operated, the remainder being operated by steam.

The entire properties, the northern as well as the southern division, of the Ocean Shore Railroad Company have since 1912 been operated at a loss. The company's revenues, expenses and disbursements appear in Table No. 1 following, prepared by the Commission's Department of Finance and Accounts after an examination of the company's records.

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TABLE No. 1.

Ocean Shore Railroad Company (Whole System).

Comparative Revenues and Income Statement for Period January 1, 1912, to June 30, 1920.

	1912	1913	1914	1915	1916	1917	1918	1919	Six months 1920
Operating revenue:									
Freight revenue	$160,675 52	$171,233 76	$178,172 44	$140,967 23	$100,029 35	$114,432 60	$104,044 60	$100,788 06	$44,258 26
Passenger revenue	85,348 90	85,452 89	85,954 23	68,022 20	47,801 61	45,244 65	42,062 19	48,714 42	22,382 22
Excess baggage revenue	15 00	8 75	12 30	35 85	20 35	12 75	9 16	5 90	1 27
Mail revenue	2,484 91	2,485 00	2,944 40	3,339 25	3,333 70	3,370 04	3,313 65	3,259 76	1,885 60
Express revenue	3,574 55	3,318 16	4,030 00	3,350 00	2,500 58	3,645 39	6,697 98	9,263 36	6,941 42
Milk on passenger trains	1,895 89	1,500 30	364 82	4 05				795 31	588 66
Other passenger train revenue									
Switching revenue	7,772 50	5,107 50	5,580 00	5,075 00	6,415 00	6,555 00	7,476 50	7,461 00	3,813 00
Special service train revenue		25 24	6,204 40			13,062 50			
Miscellaneous transportation revenue			135 55	16 00					
Revenue from other than transportation	1,535 40	1,150 32	1,335 15	1,436 14	984 39	1,125 75	1,826 12	1,015 85	544 70
Total operating revenue	$272,162 67	$270,281 92	$284,733 20	$231,246 42	$161,234 98	$187,448 68	$165,530 20	$171,309 16	$82,415 13
Operating expenses:									
Maintenance of way and structures	$37,361 78	$64,501 53	$84,669 08	$90,874 16	$67,231 73	$52,768 39	$49,679 82	$70,352 75	$35,560 82
Maintenance of way and equipment	48,970 88	59,142 26	60,013 65	56,452 47	46,716 52	45,858 99	48,341 23	58,297 83	27,535 83
Traffic expense	7,347 49	6,936 08	5,032 41	5,572 15	4,267 28	4,005 11	3,375 69	3,344 28	1,670 91
Transportation expense	103,182 87	105,838 89	118,238 08	102,321 56	71,215 46	75,976 87	85,898 45	104,748 08	54,597 83
General expense	28,111 55	24,601 00	21,646 45	17,028 12	15,640 96	15,294 71	13,745 83	14,295 54	8,061 69
Transfer for investment—Cr.				*4,500 00					
Total operating expenses	$224,974 57	$261,019 76	$289,629 57	$268,348 46	$205,071 96	$193,404 07	$201,034 52	$246,028 48	$127,426 58

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Net revenue from operations	†$47,188 10	$9,262 16	*$4,896 28	*$37,102 04	*$43,837 00	*$5,505 39	*$25,504 32	*$74,725 32	*$45,011 45
Tax accruals	9,418 53	11,092 98	12,933 78	13,917 78	14,003 37	11,008 21	9,195 92	9,429 97	4,557 24
Uncollectible revenue						76 00			
Total operating income	$37,769 57	*$1,830 82	*$17,830 06	*$51,019 82	*$58,440 37	*$17,040 60	*$44,700 24	*$84,155 29	*$49,568 69
Nonoperating income	2,198 27	2,579 06	3,982 51	2,388 66	1,281 37	1,550 77	2,956 85	2,872 22	1,364 35
Gross income	$39,967 84	$748 24	*$13,847 55	*$48,621 16	*$57,159 00	*$15,489 83	*$41,743 39	*$81,283 07	*$48,204 34
Deductions:									
Taxes on nonoperating property	$405 95	$1,036 84	$2,276 80	$5,454 71	$376 32	$582 33	$1,523 74	$1,607 62	$790 98
Other deductions	20,779 38	23,588 56	22,835 94	22,695 59	10,224 50	4,208 27	5,024 15	5,116 38	2,959 02
Total deductions	$21,185 33	$25,525 40	$25,112 74	$27,550 30	$10,600 82	$4,790 60	$6,547 89	$6,724 00	$3,750 00
Net income	$18,782 51	*$24,777 16	*$38,960 29	*$76,171 46	*$67,759 82	*$20,280 43	*$48,291 28	*$88,007 07	*$51,954 34

*Credit.
†Loss.

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To cover operating deficits of approximately $355,000, to pay reorganization expenses and to acquire additional property, the company has from time to time levied assessments upon its stockholders, such assessments aggregating $29 per share, and has incurred current indebtedness of about $77,600 up to June 30, 1920. The company has no indebtedness other than its current indebtedness. The amount received from assessments is reported at $1,107,164.93.

The following table shows the decrease in the freight tonnage and passengers carried by Ocean Shore Railroad Company from 1914 to 1919, inclusive:

	Freight tonnage		Passengers carried	
	Entire line	Northern division	Entire line	Northern division
1914	265,211	261,052	196,265	166,674
1915	228,170	182,832	157,477	140,657
1916	104,529	51,002	114,215	101,536
1917	111,488	60,314	103,037	92,736
1918	89,317	53,204	99,898	82,795
1919	76,182	31,957	118,278	95,334

The large decrease in freight traffic on the northern division in 1916 as compared with 1915 was caused by the closing down of rock quarries and sand pits. Excluding rock and sand shipments and allowing for fluctuations in crops, the tonnage handled by the Ocean Shore Railroad Company up to 1918 on its northern division remained almost stationary. In 1919 and 1920, there has been a marked decrease, caused by automobile trucks operating over paved highway between San Francisco, San Mateo and points along the ocean shore. Trucks are being used for several reasons. In some instances, the charges for hauling to the railroad are almost as much as hauling to San Francisco or points on the Southern Pacific. Some producers have resorted to trucks during periods of car shortage, or find that their commodities can be handled and brought into market more expeditiously by truck than by rail.

The abandonment of service by the Ocean Shore Railroad is opposed by the Coast Side Promotion Association, Montara Realty Development Company, Arleta Tract Association, Charles E. Goss and others. A petition of intervention was filed by the board of supervisors of San Mateo county. Protestants contend, in general, that large investments have been made owing to and dependent upon the location and operation of the railroad; that the so-called "coast side" of San Mateo county depends largely upon the Ocean Shore Railroad for marketing and transportation of artichokes, peas, beans and other food products, and that further development of the territory may be retarded if abandonment of service is permitted. The Coast Side

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Promotion Association, one of the protesting parties herein, has submitted a traffic study by J. A. Waiden, formerly general agent for the Ocean Shore Railroad Company, but employed by Coast Side Promotion Association in this matter. J. A. Walden finds that by extending the line of railroad to Pigeon Point—about 12 miles beyond Tunitas, the present terminus—approximately $60,000 of new freight revenue might be obtained. In 1912, the Ocean Shore Railroad Company estimated the cost of completing its line to Pigeon Point at $823,560. No doubt the cost to-day would be largely in excess of this amount. The report submitted by J. A. Walden shows that he has interviewed a great many farmers and shippers, and that it is their unanimous opinion that if the Ocean Shore line is taken over by some one of the larger roads, or by a responsible corporation, it will be supported by all concerned. Mr. Walden testified that in his opinion Ocean Shore Railroad Company will not, even with the additional traffic reported by him as possible, make operating expenses.

The engineering department of the Commission has submitted a report on traffic possibilities and on the condition of the roadbed and equipment. This report shows that the roadbed is in an unsatisfactory condition and that at least $75,000 will have to be expended before the end of 1921 in the replacement of ties and the rebuilding of bridges.

It is of record that producers and shippers will patronize the railroad if taken over by one of the large roads or by a responsible corporation, but there is no assurance that they will patronize the Ocean Shore Railroad Company. When we find a situation such as the present one, where a railroad offers reasonably good transportation facilities, with scarcely sufficient traffic to support its operation, and the traffic-producing population of the territory served elect to adopt a competitive mode of shipping, whether the privately operated or common carrier trucks and automobiles, then it must be apparent that the railroad must of necessity cease its operations. In the last analysis shippers and passengers in a given territory will be the determinative body as to whether they will have a railroad or automotive shipping and passenger service, where the amount of business can not properly support both.

I have given careful consideration to the testimony in this proceeding and have reached the conclusion that the revenues of the Ocean Shore Railroad Company are, and will likely continue for an indefinite time to be, inadequate to pay operating expenses and that, therefore, the company should be permitted to discontinue permanently its service on its northern division as a common carrier. Inasmuch as the order of the Commission herein gives the company the right to discontinue the operation of its line of railroad, the order

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also provides that, in so far as the authority of this Commission is necessary, such authority be given to the company to dismantle and dispose of its properties.

I herewith submit the following form of order:

ORDER.

Ocean Shore Railroad Company having petitioned the Railroad Commission for an order authorizing the discontinuance of its railway service on its northern division, the dismantling of its road and the disposition of its properties, public hearings having been held and the matter having been duly submitted and the Commission being duly advised, and basing its order on the findings of fact set forth in the preceding opinion;

It is hereby ordered, that Ocean Shore Railroad Company be and it is hereby authorized to discontinue permanently on its northern division its service as a common carrier, as requested in this application.

It is hereby further ordered, that Ocean Shore Railroad Company be and it is hereby authorized to discontinue permanently on its northern division its service as a common carrier as requested in this application, and, in so far as the authority of this Commission is necessary to authorize said company to dismantle and dispose of its said property, such authority is hereby given.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this ninth day of October, 1920.

DECISION NO. 8219.

IN THE MATTER OF THE APPLICATION OF BAY CITIES TRANSPORTATION COMPANY FOR AUTHORITY TO INCREASE RATES FOR THE TRANSPORTATION OF FREIGHT BETWEEN THE CITIES OF SAN FRANCISCO AND OAKLAND.

Application No. 6117.

Decided October 11, 1920.

Sanborn & Rochl, by *H. H. Sanborn*, for Applicant.

LOVELAND, *Commissioner.*

OPINION.

Bay Cities Transportation Company, a common carrier of freight between the cities of San Francisco and Oakland, applies for an order authorizing an increase in freight rates to an average of 25 per cent above its existing schedule.

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The application is based upon the increased cost of labor, fuel, repairs and other expenses connected with the operation of the class of vessels here involved. Exhibits submitted with the application show the principal items of increased operating cost as follows:

	1918	1920
Labor—		
Truckmen, per day	$4 00	$6 00
Operators, per month	125 00	190 00
Clerks and checkers, per week	30 00	39 00
Fuel per gallon	10	27

Repairs on equipment—50 per cent increase.

Applicant employs 30 truckmen, 2 launch operators, 10 clerks and checkers, and uses an average of 3000 gallons of fuel per month. These items alone have added to applicant's operating cost more than $2,000 per month within the two years its existing rate schedules have been in effect. Following are the totals shown in the statement submitted by applicant covering the operation of its vessels for the year ending July 31, 1920:

Gross revenue	$75,716 61
Gross expenses	79,151 44
Net loss	$3,434 83

The statement takes no account of depreciation of equipment nor interest on the value thereof, rated by applicant at $47,500.

At the hearing, which was held in San Francisco on October 4, 1920, no one appeared in opposition to the proposed rates, supporting testimony and exhibits being offered unchallenged. Applicant's general manager testified that, in an effort to reduce current expenses to the lowest minimum, all employees who could possibly be spared had been laid off. In spite of this action, however, during the month of August, 1920, applicant experienced a loss of approximately $1,400. From all the facts developed in this proceeding, it would appear unjust and unreasonable to expect applicant to continue to absorb increased operating costs which its existing rates were not intended to cover. No doubt applicant's patrons would prefer to pay the proposed rates than face the alternative of a possible discontinuance of the service due to inadequacy of revenue.

I am of the opinion that the proposed rates have been justified and should be authorized. It being impossible, however, to foresee the net result of the increases authorized in the accompanying order, Bay Cities Transportation Company will be required to keep, for a period of six months beginning November 1, 1920, methodical and comprehensive records of its revenues and expenses, and at the end of such period furnish to the Commission a full report covering operations under the new rates. If justified by this report, the matter may again be taken up by the Commission.

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I suggest the following form of order:

ORDER.

Bay Cities Transportation Company having applied to this Commission for authority to increase freight rates, applicable via its vessels between San Francisco and Oakland, a hearing having been held thereon, the matter having been submitted, and it appearing to the Commission that the rates proposed have been justified and should be authorized;

It is hereby ordered, that Bay Cities Transportation Company be and the same is hereby authorized to publish, file and thereafter collect, rates for the transportation of freight between the cities of San Francisco and Oakland in accordance with the schedule of proposed rates filed with the application and designated Exhibit No. 6.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this eleventh day of October, 1920.

DECISION NO. 8220.

IN THE MATTER OF THE APPLICATION OF PASADENA CONSOLIDATED WATER COMPANY, A CORPORATION, FOR AN ORDER INCREASING ITS RATES TO BE CHARGED FOR DISTRIBUTION OF WATER.

Application No. 4734.

Decided October 11, 1920.

WATER RATES—DISCOUNT FOR PROMPT PAYMENTS.—In establishing an increased schedule of rates for water service of applicant, the Commission points out that the company could effect a material increase in revenue by eliminating the discount at present given for prompt payment of bills, as the utility could be adequately protected through the establishment of specific rules governing delinquent bills.

J. H. Howard, for City of Pasadena.

J. A. Anderson, for Pasadena Consolidated Water Company.

BY THE COMMISSION.

OPINION.

Pasadena Consolidated Water Company, applicant herein, is a public utility water corporation engaged in the business of supplying water for domestic and irrigating purposes to a large tract of land in and adjacent to the eastern and northern boundaries of the city of Pasadena, Los Angeles County, California.

In this proceeding applicant asks for an order of the Railroad Commission authorizing an increase in rates, both for irrigation and domestic service, it being alleged in effect that the revenue received

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from this system does not provide an amount sufficient to meet operating expense, depreciation, and provide a fair interest return on the investment.

A public hearing was held in this matter at which all interested parties were given an opportunity to appear and be heard. Mr. F. H. Van Hoesen, one of the Commission's hydraulic engineers, submitted a report and appraisal of applicant's property, which was introduced as evidence in this proceeding.

The history of Pasadena Consolidated Water Company indicates that the system as it at present exists represents a consolidation in whole or in part of several individually owned irrigation systems. The water supply is obtained by gravity flow throughout a greater portion of the year, through the ownership of stock in a mutual company known as the Precipice Canyon Water Company. An additional water supply is available from two wells, with pumping equipment so arranged that one acts as auxiliary to the other. This company also acquired a water plant including a well and a large distribution system from the Pasadena Park Improvement Company, under authorization of this Commission (Decision No. 1662), dated July 9, 1914; however, the well and pumping equipment so acquired is not deemed used and useful property of this utility and is not included in the appraisal as such.

The report submitted by the Commission's engineers shows an estimate of the original cost of this system in the amount of $266,156, with a replacement fund of $2,000, computed by the sinking fund method. This estimate was not questioned at the hearing nor subsequently, and it appears reasonable. Therefore the above figures will be used for the purposes of this proceeding. After a careful study of the maintenance and operation costs of this utility, it appears that $15,394 is a fair annual allowance for this item.

The following is a summary of the above mentioned annual charges:

Interest on $266,165 at 8 per cent	$21,293 00
Replacement annuity	2,000 00
Maintenance and operation expense	15,394 00
Total	$38,687 00

The total revenue received by this utility for 1919 was $16,813.73. It is therefore apparent that this utility should be granted authority to increase its rates.

Testimony shows, however, that this system is largely overbuilt for its present uses and covers a large area of sparsely settled territory, and a rate computed to produce a return equal to the above annual charges would be unduly burdensome to the present consumers. But

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it is unnecessary to further discuss this phase of the situation as based upon the above figures, inasmuch as applicant has suggested a schedule of rates which appears to the Commission to be fair and reasonable in so far as the total revenue which would be derived therefrom is concerned. It appears, however, that the schedule as submitted by applicant will not properly distribute the expense among the consumers, and the schedule established in the following order is designed to return to applicant a sum equal to that which would be derived from its suggested schedule of rates and more equitably distribute the burden.

Pasadena Consolidated Water Company has established a policy of discounting 10 per cent on all bills paid before a certain time. If this practice were abolished it would yield the company a considerable additional revenue, and we recommend that the company's policy in this regard be changed. A public utility water company may be adequately protected against delinquency in the payment of bills by specific rules and regulations relating to this phase of its operation, which may be established and put into effect upon their acceptance by the Commission.

ORDER.

Pasadena Consolidated Water Company having applied to the Railroad Commission for authority to increase its rates for water served, a public hearing having been held and the Commission being fully apprised in the premises:

It is hereby found as a fact that the rates and charges of the Pasadena Consolidated Water Company, in so far as they differ from the rates herein established, are unjust and unremunerative, and that the rates and charges herein established are just and reasonable rates.

And basing its order on the foregoing finding of fact, and on the further statements of fact contained in the opinion which precedes this order;

It is hereby ordered, that the Pasadena Consolidated Water Company be and it is hereby authorized to file with the Railroad Commission, within twenty (20) days from the date of this order, the following schedule of rates, the same to supersede all rate schedules of this system heretofore in effect and to be and become effective on and after October 1, 1920.

Domestic Meter Rates.

400 cubic feet or less	$1 00
From 400 cubic feet to 2,000 cubic feet, per 100 cubic feet	20
From 2,000 cubic feet to 5,000 cubic feet, per 100 cubic feet	15
All in excess of 5,000 cubic feet, per 100 cubic feet	11

Irrigation.

10,000 gallons or less	$1 50
From 10,000 gallons to 100,000 gallons, per 1,000 gallons	15
All in excess of 100,000 gallons, per 1,000 gallons	12

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It is hereby further ordered, that the Pasadena Consolidated Water Company be and it is hereby ordered to file with this Commission, within thirty (30) days from the date of this order, for its acceptance, rules and regulations governing the distribution of water to their consumers, said rules to become effective within five (5) days of their acceptance by this Commission.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this eleventh day of October, 1920.

DECISION NO. 8221.

SOUTH SAN FRANCISCO CHAMBER OF COMMERCE,

vs.

SOUTHERN PACIFIC COMPANY, A CORPORATION, THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY (COAST LINES), A CORPORATION, AND WESTERN PACIFIC RAILROAD COMPANY, A CORPORATION.

Case No. 1433.

Decided October 11, 1920.

BLANKET OR ZONE SYSTEM OF RATES—SWITCHING LIMITS.—The Commission, while recognizing the propriety of blanket or zone system of rates and its advantages to dealers in allowing them a wide purchasing radius and placing producers on the same footing in a common market when the rates are reasonable and nondiscriminatory, holds that the reverse is true as regards such arrangement where a zone of this kind fails to recognize geographical locations of producing points and thereby damages such points with corresponding benefit to others.

SWITCHING LIMITS—ESTABLISHMENT OF—FRANCHISE REQUIREMENTS.—In refusing to pass upon defendants' contention that franchise requirements were controlling in establishing the present switching limits in the City of Oakland, the Commission points out that it has been judicially determined that franchise provisions are not conclusive in the determination of issues of this nature.

It is found that the practice of the Southern Pacific Company in excluding South San Francisco from the San Francisco switching limits results in preference and advantage to the industries located within the present San Francisco and Oakland switching limits to the prejudice and disadvantage of industries located at South San Francisco on line haul carload traffic, either local to the Southern Pacific or in connection with other lines and is therefore in violation of section 19 of the Public Utilities Act. Also the practices of Santa Fe Railway, and Western Pacific Railroad in refusing to absorb the switching charges of Southern Pacific Company, on competitive carload traffic upon which they receive a line haul originating at or destined to industries in South San Francisco is unreasonable and in violation of section 19 of the Public Utilities Act.

Elimination of such violations directed by December 10, 1920, the Southern Pacific Company to also correct its present rates on local carload traffic between South San Francisco and San Francisco and to the Southern Pacific connection with the State Belt Railroad to the extent that such charge exceeds the charge made at San Francisco and Oakland for performing a like service.

Sanborn and Rochl, by *A. B. Rochl*, for Complainants.

C. W. Durbrow and *Elmer Westlake*, for Southern Pacific Company.

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E. W. Camp, for the Atchison, Topeka and Santa Fe Railway, Defendant.
Seth Mann, for San Francisco Chamber of Commerce.
George Lull and *John J. Dailey*, for City and County of San Francisco.
Matt I. Sullivan, for Executive Committee of Industrial and Civic Associations of San Francisco.

LOVELAND, *Commissioner*.

OPINION.

Alleging unreasonableness and discrimination, this complaint assails the switching limits of San Francisco and the rate for freight in carloads between San Francisco and South San Francisco; also maintains that the main-line rates to San Francisco should apply to South San Francisco, and prays for the establishment of just, reasonable and nondiscriminatory rates. Carload traffic only is concerned.

The essential items of the complaint are that rate of 60 cents per ton is maintained on freight (except live stock and certain other commodities) regardless of classification, between San Francisco and South San Francisco, a distance of 9.1 miles, against rate of 30 cents per ton, minimum $6.50 per car, for freight, in carloads, between Oakland Wharf and Elmhurst, 9.9 miles; that the rate between South San Francisco and transfer tracks with the Western Pacific Railroad and the Atchison, Topeka and Santa Fe Railway, hereinafter called Western Pacific and the Santa Fe, at San Francisco, on traffic incidental to a line haul beyond San Francisco via those roads, is 60 cents per ton, while at Oakland the rate is $2.50 per car between transfer tracks with the carriers mentioned and industry tracks and private sidings within Southern Pacific Company's switching limits when originating at or destined to noncompetitive points, and that no charge is made in the case of competitive traffic; that by comparison with Oakland the switching limits of San Francisco are unduly, unreasonably and prejudicially restricted; also that switching limits are larger at other points than at San Francisco; that between other points where greater service is performed the freight rates are the same or less than between San Francisco and South San Francisco.

At the beginning of the hearing, August 5, 1920, in this proceeding, it was stipulated that all of the testimony and exhibits presented in Case No. 1149 would be made a part of this case. Case No. 1149 was filed September 19, 1917, and heard during the month of January, 1918. The presentation was very thorough, consisting of 896 pages of testimony and 46 exhibits. By reason of federal control and lack of jurisdiction on the part of this Commission the case was dismissed October 2, 1919. The changes in the situation since Case No. 1149 was submitted have not rendered immaterial any of the exhibits or testimony given in that proceeding and the additional testimony and exhibits given August 5, 1920, in Case No. 1433 simply bring the details up to date.

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The essence of complaint is that South San Francisco be placed within the San Francisco switching limits and given the same rates as apply to San Francisco.

In support of the complaint, petitions of intervention were filed by the following:

City and County of San Francisco.

Manufacturers' Association of South San Francisco.

City of South San Francisco.

Executive Committee of the Industrial Civic Associations.

San Francisco Chamber of Commerce.

Complainants base their allegations of unreasonableness and discrimination principally upon comparison of the switching limits at San Francisco and freight rates applying in that district with those prevailing at Oakland and Los Angeles.

So much of the testimony has been addressed to the switching limits at these three places that it will be well at this time to discuss briefly the meaning of the designation "switching limits" and the relative situation at the points mentioned. The term "switching limits" is an arbitrary expression, used to define the limits or boundaries within which freight will be switched at certain rates.

In the case of line-haul traffic, the switching limits mark the area within which the carload rates to and from a specified station apply. In this sense the term is synonymous with station limits. Likewise with foreign-haul traffic, the switching limits prescribe the territory within which traffic will be switched to and from connecting lines for a specified charge. As to local station movement, that is traffic picked up and laid down at a certain station on which no system or foreign-line haul service is performed, the switching limits define the area within which such traffic will be handled at specified switching charges.

Switching limits are established by the traffic departments of the transportation companies and, with the exception that they do not as a general rule transcend the boundaries of the operating yard, have no fixed relation to yard limits, which are determined by the operating officials and define the districts or yards where tracks are provided for the making up of trains and other purposes over which movements not authorized by time-table or train order may be made. Switching areas may be coextensive with the boundaries of the operating yard, or more restricted, at the discretion of the traffic department. Where tariffs do not specify such limits they are of the same extent as the yard confines.

South San Francisco is in San Mateo County, outside the switching limits of San Francisco, being some four miles south of Bay Shore, but within the San Francisco operating yard limits, which extend

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beyond San Bruno to a point 13.3 miles distant from San Francisco. While corporately separate, it is, in a commercial and industrial sense, a component part of San Francisco, being included in the San Francisco postoffice system, most of its banking business being transacted there and approximately one-half of the working population of South San Francisco residing in San Francisco. A total of 18,084 loaded cars were handled at South San Francisco during the year 1919; of these 6727 were forwarded and 11,357 received, approximately 80 per cent of which consisted of intrastate shipments.

The greater part of traffic to and from points within the San Francisco yard limits moves via the Dumbarton cutoff and is handled almost entirely through Southern Pacific Company's terminal yard at Bay Shore. This yard, which contains some 17 miles of track, embraces the stations of Bay Shore and Visitacion, its northern extremity being at a point 4.907 miles from Southern Pacific Company's Fourth and King streets depot at San Francisco and the southern end 2.316 miles from South San Francisco. The center of the yard is at a point 5.63 miles from San Francisco and 3.45 miles from South San Francisco.

It is the general practice to assemble and distribute at this yard all freight cars having origin or destination in the San Francisco yard limits. Inbound trains are broken up there, the road engine detached and the cars composing such trains are classified and hauled by switch engines to team, transfer, industry, house or other tracks within the San Francisco yard. Similarly, outbound cars are brought by switch engine to the assembling tracks at Bay Shore, where the various trains are made up and the road engine attached preparatory to hauling same to their respective destinations. In short, the assembly and breakup yard at Bay Shore is the operating terminal for San Francisco and South San Francisco. There is a shorter switching service performed in making the deliveries to the team or industry tracks at South San Francisco than is rendered in the deliveries to similar tracks within the city of San Francisco. Traffic destined to either San Francisco or South San Francisco moving via the Dumbarton cutoff passes through South San Francisco and Bay Shore, and the operating practice of carrier in breaking up the main-line trains at Bay Shore makes a back-haul on the South San Francisco traffic of 3.45 miles.

The matters involved in this complaint may best be discussed under the following heads:

1. Traffic between team and industry tracks at South San Francisco and team tracks, industry tracks or wharves at San Francisco.

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2. Traffic between South San Francisco and points other than San Francisco on Southern Pacific Company's line.

3. Traffic between San Francisco and South San Francisco originating at or destined to points beyond San Francisco on lines other than that of Southern Pacific Company.

As regards the first division, traffic between team or industry tracks at South San Francisco and team tracks, industry tracks or wharves at San Francisco, complainant alleges that rate of 60 cents per ton for transportation between San Francisco (Fourth and King streets) and South San Francisco, a distance of approximately 9.30 miles, is unreasonable and discriminatory as compared with rate of 30 cents per ton for haul of 9.9 miles between Oakland Wharf and Elmhurst, within the Oakland switching limits, or at Los Angeles, between Maier and University, 11.4 miles. It is unnecessary to discuss in detail the situation at Los Angeles, as from a transportation standpoint any condition existing there is also present at Oakland. For the purpose of this proceeding, therefore, Oakland will be considered as representative of Los Angeles in its relation to South San Francisco.

It is the contention of defendant, Southern Pacific Company, that complainant has failed to show that maintenance of the 30-cent rate at Oakland has resulted in damage to the South San Francisco interests; that before this can be done, it must be shown that traffic moving between South San Francisco and San Francisco competes with that moving between Oakland Wharf and Elmhurst, and that the evidence of such competition is absent from the record.

Defendant, Southern Pacific Company, maintains that the real issue involved herein is one of reasonableness of the rates from competing districts to San Francisco rather than a comparison of the local situation on the east and west sides of the bay, for the reason that the territory contiguous to San Francisco Bay forms a blanket, or zone, of which San Francisco is the logical center. Defendant furthermore states that the 60-cent rate (originally 50 cents) was published from South San Francisco to San Francisco to place South San Francisco on a parity with east bay points enjoying the same rate, the latter having been established to meet barge competition, the desire being to enable points similarly situated on both sides of the bay to reach San Francisco, the common market, port, commercial and industrial center, on an equal basis.

The propriety of a blanket or zone system of rates has long been recognized. The advantages of such an adjustment are manifold, as it allows dealers wide purchasing radius and places the different producers on the same footing in a common market. An arrangement of this kind should not ordinarily be disturbed where the rates are reasonable and nondiscriminatory. The reverse is true, however,

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where a zone of this kind fails to recognize geographical location of producing points and thereby damages such points, with corresponding benefit to others.

Defendant's view is not in harmony with section 19 of the Public Utilities Act of this State, which provides that:

"No public utility shall, as to rates, charges, service facilities or in any other respect, make or grant any preference or advantage to any corporation or person, or subject any corporation or person to any prejudice or disadvantage. No public utility shall establish or maintain any unreasonable difference as to rates, charges, service, facilities or in any other respect, either as between localities, or as between classes of service."

Under the provisions of the section of the Public Utilities Act quoted, the element of direct damage is more or less immaterial, the question at issue being whether South San Francisco and its industries are subjected to prejudice or disadvantage, or if an unreasonable difference in rates is maintained as between the two localities, the determination of which must, of necessity, require a comparison of the rates between South San Francisco and San Francisco against Oakland Wharf-Elmhurst.

The 50-cent rate between San Francisco and South San Francisco was established in 1899, at which time all peninsula traffic moved over the Valencia street line. Later, the Bay Shore cutoff was constructed, which resulted in shortening the line by some 3½ miles and overcoming the severe grades previously encountered. On account of the saving in transportation cost effected by the construction of this cutoff, complainant contends that a reduction should be made in the existing rate. This theory, however, presupposes that the rate, when originally established, took into consideration the cost of handling the traffic, which is not borne out by the record. On the contrary, it shows the rate to be based on expediency rather than on the principle of operating cost.

The 30-cent switching zone at Oakland was originally much more restricted, the extremity at that time on the Elmhurst line being Alice street, a distance from Oakland Long Wharf of approximately 4.3 miles. It was later extended to Fruitvale, 7 miles, and finally to Elmhurst, 10.8 miles. Subsequently, Oakland Long Wharf was eliminated and the traffic is now handled through Oakland Wharf, which reduces the distance .9 of a mile, making the extreme distance 9.9 miles.

The Southern Pacific Company, in explanation of the extension of the Oakland limits, avers that such action was pursuant to the demand of the city of Oakland to comply with the terms of an ordinance granting defendant the right to operate in that city, which provides that "No point in the city of Oakland shall have any better rate than

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any other point in said city, except that proper and reasonable switching charges may be collected." A reading of the full text of the section of the ordinance bearing on this situation, which was filed as an exhibit, does not justify an interpretation such as has been placed upon it, which fails to take cognizance of that section reading "Except that proper and reasonable switching charges may be collected."

However that may be, it is unnecessary to decide the point, as it has been judicially established that franchise provisions are not conclusive in the determination of issues of this nature. No such claim is made with respect to Los Angeles, where, it is admitted, the 30-cent zone is more extensive than at San Francisco.

Defendant, Southern Pacific Company, in justification of the difference in adjustment on the east and west sides of the bay, alleges that operating conditions are more favorable in the Oakland district, due to less vehicular and main-line train interference.

During the year 1914 the Southern Pacific Company made a time study of the cost of switching loaded cars at its principal terminals, from which it was ascertained that the average time, per car, consumed was, at Oakland, 18.1 minutes; at San Francisco, 19.7 minutes, and at Los Angeles 20.3 minutes. The operating cost of performing switching was found to be the same at the different terminals, viz, $6.57 per engine hour. Based on the foregoing factors the expense per car figures, at Oakland, $1.98; San Francisco, $2.16; Los Angeles, $2.22. Evidence was introduced by defendant to show that since this data was prepared the difficulties and expense of operation have increased more at San Francisco than at Oakland.

The computation of the switching costs in 1914 did not include traffic between San Francisco and South San Francisco, nor does it disclose the relative cost of switching between Elmhurst and Oakland Wharf against South San Francisco-San Francisco. Therefore, while of general interest as an index of switching costs in the different sections embraced within its scope, it is of little evidentiary value in the determination of the issues involved in this proceeding.

The wharves of San Francisco are served by the State Belt Railroad, the rates of which are not involved in this proceeding.

The distance between South San Francisco and the transfer track of the Belt at San Francisco is approximately one-half mile further than the distance between South San Francisco and the depot at San Francisco shown herein. Complainant alleges that the maintenance of a 30-cent rate from Elmhurst to Oakland Wharf, a distance of 9.9 miles, while concurrently charging 60 cents from South San Francisco to the Belt connection in San Francisco, discriminates against and results in an injury to the South San Francisco interests. Southern Pacific Company contends that most of the traffic from points in

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the Oakland switching limits going beyond via water is carried to the steamship piers at San Francisco and that it is, therefore, a question of rates from Oakland against South San Francisco to San Francisco rather than a comparison of the local rates on the east and west sides of the bay. The evidence of record, however, shows that traffic does move between points in the Oakland 30-cent switching zone and Oakland Wharf and, as hereinbefore stated, a comparison of the charges paid by South San Francisco to reach the San Francisco waterfront with those paid by Oakland industries within the 30-cent zone to reach the Oakland waterfront, is the proper test of discrimination as between localities.

The dimensions of the different districts used in comparison may be gained from the following table of distances prepared from exhibits filed at the hearings. These figures represent miles:

Switching Limits.

	San Francisco	Oakland	Los Angeles
Extreme distances from breaking-up yards within which line-haul carload traffic will be handled without extra charge	9.2	8.5	5.3
Extreme distances from main depot within which line-haul traffic will be handled without extra charge	5.2	7.8	6.5
Extreme distances between points in the switching zone within which local switching is performed at 30 cents per ton, minimum $6.50 per car	9.2	9.9	11.4
Extreme distances in the commodity freight rate zone within which the charge is 60 cents per ton	13.3	22.1	

The industrial territories of San Francisco and Oakland are divided into three distinct districts so far as the switching services are concerned:

First—The free zone.

Second—The 30-cent zone.

Third—The 60-cent zone.

At San Francisco, the extreme limits of the first zone within which free switching is performed in connection with main-line hauls, extends from Elkton to but not including Bay Shore, a distance of 9.2 miles; this is also approximately the greatest distance from the breaking-up yard at Bay Shore. The second, or 30-cent zone, extends from, not including, Bay Shore, to, but not including, Elkton, a distance of approximately 9.2 miles, while the third, or 60-cent zone, extends from South San Francisco to San Francisco, including all points within the switching limits, the extreme distance South San Francisco to Elkton being 13.3 miles.

On the Oakland side of the bay the extreme limits of the first zone within which free switching is performed in connection with main-

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line hauls extends from Gilman street, Berkeley, to Elmhurst, a distance of approximately 13.2 miles, the greatest distance from the breaking-up yard at West Oakland being to Elmhurst, 8.5 miles. The second, or 30-cent zone, extends from Oakland Wharf to Elmhurst, a distance of approximately 9.9 miles, while the third, or 60-cent zone, embraces the industrial territory outside of these two zones, including part of Oakland, the cities of Alameda, Berkeley and Richmond, the rate applying between Richmond and Oakland-Elmhurst including the wharves, covering a distance of 22.1 miles. This last named rate will also apply between Richmond and San Francisco, 18.5 miles.

Complainants are asking that South San Francisco be included within the switching limits of the city of San Francisco, in order that the industries located at South San Francisco may have not only the San Francisco rates and free switching in connection with the competitive traffic moved by the Santa Fe and the Western Pacific, but also a rate of 30 cents per ton from South San Francisco to San Francisco. If South San Francisco were included within the 30-cent interyard switching limits of San Francisco the extreme distance would be 13.3 miles South San Francisco to Elkton, while now the extreme length of the 30-cent zone in Oakland, against which complaint is made, is but 9.9 miles; the switching limits at San Francisco would thus exceed by 3.4 miles the Oakland limits and exceed by 1.9 miles the limits at Los Angeles, with which comparisons have been made.

The extreme distances are set forth, having been employed by complainants, but the record would indicate that the heavy movements from South San Francisco are to the water front and industries near the Fourth and King streets depot rather than to Elkton.

Attention might here be called to the fact that only a small part of the great industrial territory on the Oakland side of the bay now enjoys the 30-cent rate, for the reason, as heretofore stated, that this zone extends only to Sixteenth street depot on the Port Costa line. South San Francisco, under the 30-cent zone as proposed, would have an advantage over the numerous industries located beyond the 30-cent zone in Oakland, including Alameda and all of the territory east of Sixteenth street to Richmond on the Port Costa line, with which points it is not now on an equality under the present adjustment.

The record shows that transportation between San Francisco and South San Francisco is a switching service similar in character to that performed between Oakland Wharf and Elmhurst and while the evidence adduced does not warrant a finding that the 30-cent zone at San Francisco should be extended to include South San Francisco, or that the 60-cent rate between San Francisco and South San Francisco is

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of itself unreasonable, it does show conclusively that a discriminatory and prejudicial situation has been created by the maintenance of a 30-cent rate between Oakland Wharf and Elmhurst with concurrent charge of 60 cents between South San Francisco and San Francisco.

Traffic Between South San Francisco and Points Other Than San Francisco On or Via Southern Pacific Company's Line.

San Francisco and South San Francisco are on a parity as to traffic covered by preceding description, except where the San Francisco rates are nonintermediate and on traffic moving between South San Francisco and points in the territory roughly described as north of Niles and Tracy, west of Sacramento and Stockton and south of Santa Rosa, Calistoga and Rumsey, in which case the 60-cent local applies in addition to the San Francisco rates.

It has previously been shown that the breakup and assembly yard for both San Francisco and South San Francisco embraces the stations of Bay Shore and Visitacion, the center of the yard being 5.63 miles from San Francisco and 3.45 miles from South San Francisco.

Exhibit B, attached to the application, shows the disadvantages under which South San Francisco is laboring in the handling of commodities moving to and from points located in the restricted territory. As illustrative, scrap iron and steel, carloads, from Antioch to South San Francisco is $1.90 per ton, based $1.30 to San Francisco, plus the local of 60 cents beyond, whereas on similar shipments from Antioch to Elmhurst, a point within the Oakland switching limits, or to San Francisco, rate of $1.30 applies. In the instance of Elmhurst, the Oakland rate applies, although this point cannot be reached by water, while to South San Francisco, which is located on deep water, the local rate of 60 cents is added.

Traffic Between San Francisco and South San Francisco Originating at or Destined to Points Beyond San Francisco on Lines Other Than That of Southern Pacific Company.

Traffic as above described moving between South San Francisco and transfer with connecting lines at San Francisco is charged for at rate of 60 cents per ton except where joint rates may be in effect. For similar movement within the switching limits of San Francisco and Oakland charge of $2.50 per car is made on noncompetitive traffic, while no charge whatever is made on competitive freight, due to the line-haul carrier absorbing such amount.

The distance (Exhibit No. 5) between South San Francisco and transfer track with the Western Pacific at San Francisco is 7.4 miles; 8.5 miles to the Santa Fe transfer and 9.6 miles to the Belt Railroad.

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At Oakland, the distance between Elmhurst, the most remote point in the switching limits, and transfer with the Western Pacific, is 7.5 miles; to the Santa Fe interchange 9.5 miles.

Defendant, Southern Pacific Company, filed exhibits covering a representative period, showing the actual and average distances on carload shipments moved between interchange tracks of connecting lines and industries at San Francisco, Oakland and Los Angeles. The average distances traversed were, at San Francisco, 2.8 miles; Los Angeles, 2.6 miles; Oakland, 3.47 miles. Defendant did not furnish a corresponding statement with respect to industries located at South San Francisco from which comparison could be made as between South San Francisco and the opposing districts.

The relative situation of South San Francisco is the same as that in connection with business on which defendant secures a line haul, and for like reasons the conclusion must be reached that the charge for transportation between South San Francisco and interchange with the Santa Fe and Western Pacific at San Francisco is unduly prejudicial and discriminatory, to the extent that it exceeds the charge for switching similar traffic at San Francisco and Oakland.

I find as a fact that the practice of the Southern Pacific Company in excluding South San Francisco from the San Francisco switching limits results in preference and advantage to the industries located within the present San Francisco and Oakland switching limits to the prejudice and disadvantage of industries located at South San Francisco on line-haul carload traffic, either local to the Southern Pacific or in connection with other lines, and is therefore in violation of section 19 of the Public Utilities Act. That the practice of the Atchison, Topeka and Santa Fe Railway Company and the Western Pacific Railroad Company in refusing to absorb the switching charges of the Southern Pacific Company on competitive carload traffic upon which they receive a line haul originating at or destined to industries at South San Francisco while contemporaneously absorbing the switching charges on like traffic at San Francisco and Oakland subjects South San Francisco to unreasonable prejudice and disadvantage and is, therefore, in violation of section 19 of the Public Utilities Act. That the practice of the Southern Pacific Company in maintaining present rates on local carload traffic between South San Francisco and San Francisco and to the Southern Pacific Company's connection with the State Belt Railroad is unduly prejudicial to South San Francisco to the extent that the charge exceeds the charge made at San Francisco and at Oakland for performing a like service. The Southern Pacific Company will be required to submit to the Commission on or before

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December 10, 1920, in conformity with the terms of the Public Utilities Act and the established rules of this Commission, a tariff removing the discrimination.

I submit the following form or order:

ORDER.

The South San Francisco Chamber of Commerce having complained to the Commission that rate of 60 cents per ton assessed by the Southern Pacific Company for transportation of carload freight between San Francisco and South San Francisco, including traffic interchanged with the State Belt Railroad at San Francisco for water transportation beyond, and with the Santa Fe and Western Pacific at San Francisco incidental to a line haul via those roads, is unjust, unreasonable and discriminatory; also that the San Francisco switching limits be extended to include South San Francisco; a public hearing having been held, the Railroad Commission being fully apprised in the premises, and basing its order upon the findings of fact which appear in the opinion preceding this order;

It is hereby ordered, that the Southern Pacific Company be and it is hereby notified and required to cease and desist, on or before December 10, 1920, and thereafter to abstain from the undue and unreasonable prejudice and disadvantage found in the preceding opinion to result from the publishing, demanding and collecting of a higher rate for the transportation of freight in carloads between South San Francisco and San Francisco locally, or between South San Francisco and Southern Pacific Company's transfer track with the Belt Railroad at San Francisco, when incidental to water transportation beyond, than it contemporaneously publishes, demands and collects for the transportation of like shipments between Elmhurst and Oakland Wharf.

It is hereby further ordered, that the Southern Pacific Company be and the same is hereby notified and required to cease and desist, on or before December 10, 1920, and thereafter to abstain from the undue and unreasonable prejudice and disadvantage found in the preceding opinion to result from the publishing, demanding and collecting of higher rates for the transportation of freight in carloads to and from South San Francisco when incidental to a line haul via Southern Pacific Company, and between South San Francisco and transfer tracks with the Santa Fe and the Western Pacific at San Francisco, when incidental to a line haul via those carriers, than it contemporaneously publishes, demands and collects for the transportation of like shipments at San Francisco and Oakland.

It is hereby further ordered, that the Southern Pacific Company, on or before December 10, 1920, extend its San Francisco switching

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limits to include South San Francisco and the industries located at South San Francisco and to apply to the limits thus established the San Francisco line-haul rates.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this eleventh day of October, 1920.

DECISION No. 8222.

IN THE MATTER OF THE APPLICATION OF WILLIAM H. GREGG FOR AUTHORITY TO INCREASE FREIGHT RATES.

Application No. 5983.

IN THE MATTER OF THE APPLICATION OF JOHN T. NICHOLS FOR AUTHORITY TO INCREASE FREIGHT RATES.

Application No. 5984.

IN THE MATTER OF THE APPLICATION OF GEORGE WRIGHT FOR AUTHORITY TO INCREASE FREIGHT RATES.

Application No. 5985.

IN THE MATTER OF THE APPLICATION OF S. WOODBRIDGE (WOODBRIDGE TRANSPORTATION COMPANY) FOR AUTHORITY TO INCREASE FREIGHT RATES.

Application No. 5986.

IN THE MATTER OF THE APPLICATION OF J. C. SILVEIRA (SILVEIRA TRANSPORTATION COMPANY) TO INCREASE FREIGHT RATES.

Application No. 5987.

IN THE MATTER OF THE APPLICATION OF O. J. STANCHFIELD, G. T. LEITCH AND M. E. ENOS (RIVER TRANSPORTATION COMPANY) FOR AUTHORITY TO INCREASE FREIGHT RATES.

Application No. 5988.

IN THE MATTER OF THE APPLICATION OF J. T. FLETCHER (EMPIRE TRANSPORTATION COMPANY) FOR AUTHORITY TO INCREASE FREIGHT RATES.

Application No. 5989.

Decided October 11, 1920.

David L. Levy, for Applicants.

Seth Mann, for San Francisco Chamber of Commerce.

LOVELAND, *Commissioner*.

OPINION.

Applicants herein are engaged in the transportation of freight between Stockton, Sacramento, San Francisco and intermediate points and landings on the San Joaquin, Sacramento, Mokelumne, Old and Middle rivers and their tributaries. No attempt is made to maintain regular time schedules, vessels being despatched for cargo whenever

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and wherever offered within the general field of operations. For the most part, commodities carried consist of farm, orchard and garden products moving to markets during more or less well defined shipping seasons. Return cargo being rarely obtainable, vessels either await orders at destination, under expense, or sail for home ports empty. The hauling of supplies and equipment between producing points constitutes the major portion of the limited off-season business. During such periods some of the applicants do not operate their vessels, which remain tied up pending the tender of justifiable tonnage. Vessels of the barge and towboat type are used almost exclusively in this service, headquarters of each applicant being located at Stockton. With one exception, rate schedules now on file by applicants became effective in 1919, being in most cases the respective carriers' initial tariffs.

In justification of the increases proposed, applicants allege that the cost of labor, fuel, material and supplies necessary in the operation of their vessels has greatly increased since the filing of tariffs now in effect. It is also alleged that the proposed rates are fair and reasonable *per se*, and that applicants can not successfully operate their equipment under existing schedules.

At the hearings held in San Francisco on September 15 and 30, respectively, a number of witnesses testified on behalf of applicants with reference to the character, cost, and depreciation of vessels and equipment, and also as to general operating conditions connected with the service. By agreement, the testimony on behalf of River Transportation Company was admitted as to each applicant, in so far as relevant, individual carriers supplementing the same with details affecting their respective services. Applicants' claims with reference to increased operating costs arising subsequent to the establishment of present charges were supported in each instance by uncontradicted oral testimony. The chief items of increased expense were shown to be labor and fuel, applicants being obliged at the present time, and for some months past, to use gasoline costing twenty-six (26) cents per gallon in lieu of distillate formerly obtainable at a maximum of 12 cents per gallon. Labor, according to the testimony, ranges 50 per cent higher and is much less efficient than in 1918. As representative of the general situation, River Transportation Company, with an investment in floating equipment of approximately $18,000, and gross revenue of $43,922.95 in 1919, shows a profit for that year of $426.45, which, however, takes no account of depreciation. In the single instance where an apparently fair margin was realized—that of the Empire Barge Company—it was shown to have been abnormal and due to strike conditions which tied up competing

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equipment, resulting in capacity hauls for said carrier during the harvest rush season of 1919.

Conflicting opinions on the question of a proper allowance for the normal deterioration of vessels and equipment were brought out at the hearing, indicating a wide variation in the practices of this class of carrier in the matter of charging off annual depreciation. Rates authorized in the accompanying order, however, are independent of the depreciation claims made by the applicants herein.

I am of the opinion that the rates requested have been justified and should be granted. It will be necessary that certain modifications of the rules and regulations proposed by applicants be made in the interest of clarity or to bring the same within the Commission's previously published orders. The proper department will see to it that these suggestions are carried out, and that tariffs of these carriers contain no improper provisions. It being impossible, by reason of varying operating conditions, to foresee the net result of increases authorized in the accompanying order, each applicant will be required to keep methodical and comprehensive records of its revenues and expenses for a period of six months beginning November 1, 1920, and at the end of such period furnish to the Commission a full report covering operations under the new rates. If justified by these reports, the matter may again be taken up by the Commission.

I recommend the following form of order:.

ORDER.

William H. Gregg, John T. Nichols, George Wright, S. Woodbridge (Woodbridge Transportation Company), J. C. Silveira (Silveira Transportation Company), O. J. Stanchfield et al. (River Transportation Company), J. T. Fletcher (Empire Transportation Company), having filed applications with this Commission requesting authority to make certain increases in rates for the transportation of freight between Sacramento, Stockton, San Francisco and other specified points and landings on the Sacramento, San Joaquin, Mokelumne, Old and Middle rivers and tributary waters; hearings having been held thereon, and the matter having been submitted:

It is hereby found as a fact that the existing rates of applicants, in so far as they conflict with rates herein established, are unjust and noncompensatory, and that the rates fixed by this order are just and reasonable.

Basing this order upon the foregoing finding of facts and upon other statements in the preceding opinion:

It is hereby ordered, by the Railroad Commission of the State of California, that the above named carriers be and they are hereby authorized to publish, file and thereafter collect rates and enforce

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rules and regulations as set forth in the proposed tariff accompanying the respective applications, such proposed rules and regulations to be modified and amended in accordance with the opinion which precedes this order.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this eleventh day of October, 1920.

DECISION NO. 8223.

IN THE MATTER OF THE APPLICATION OF R. A. ROSE, AN INDIVIDUAL DOING BUSINESS UNDER THE FICTITIOUS NAME OF FAIR OAKS ELECTRIC COMPANY, FOR AN ORDER OF THE RAILROAD COMMISSION TO ESTABLISH A RATE FOR ELECTRIC SERVICE.

Application No. 6001.

Decided October 11, 1920.

R. A. Rose, in propria persona.

BY THE COMMISSION.

OPINION.

In this application R. A. Rose, doing business under the fictitious name of Fair Oaks Electric Company, hereinafter referred to as applicant, alleges that the rates which he has been charging for electric service have been unchanged for four years, that they do not allow a reasonable return on his investment, that the return will be still further reduced by the 15 per cent increase recently authorized in the rates of Great Western Power Company, from which the applicant purchases electricity, and asks that the Commission make the necessary investigation and fix such rates as it may find just and reasonable.

A public hearing was held before Examiner Satterwhite at Fair Oaks on August 14, 1920, and although all consumers had been properly notified no protest was made against any increases in rates found proper by the Commission.

Applicant's distribution system was originally built in connection with the marketing of lands, and was acquired from the land company by Mr. Rose. Power is purchased wholesale from Great Western Power Company and distributed to approximately 142 lighting consumers and about 40 horsepower in motors. The territory served is entirely rural in character and there is no town distribution whatever. Mr. Rose is an experienced lineman and does all of the work in connection with the operation of his system with the exception of making out bills, which is handled by a clerk, and such of the heavy construction work in which he must necessarily have assistance. The operation of the system takes but part of his time and examination

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by the Commission's engineers shows that charges made against the utility business for his services are entirely reasonable.

No valuation of the property has been made by the Commission, but the applicant's claim for its value is the price for which he purchased the properties (which was considerably less than the original cost of construction) plus such additions and betterments as have been made under his ownership. The value claimed is but $85 per consumer, which is low for lines serving a rural territory such as that under consideration. The evidence shows, however, that certain of the new consumers have aided in the construction of lines to serve them by advancing money which is being returned to them in discounts on light and power bills. The amount due consumers is reported by applicant as $2,305 on June 30, 1920, which should be deducted in arriving at applicant's investment. As the lines in question will eventually become applicant's property, and as he must maintain them, no deduction is made on this account from operating expense, or from the allowance for depreciation.

The results of applicant's operations during the past two and one-half years are shown in the following table, together with a statement of the income and expenses shown to be reasonable for the ensuing year. The latter include the increased cost of wholesale power, but are based on the present rates now charged applicant's consumers.

TABLE No. 1.

R. A. Rose (Fair Oaks Electric Co.)

Investment, Operating Revenue and Expenses.

	1918	1919	January-June 1920	Full year under existing conditions
Additions and betterments	$257 38	$3,186 30	$973 51	$800 00
Fixed capital end of period	8,557 96	11,744 26	12,717 77	13,500 00
Average capital	8,429 27	10,151 11	12,231 61	13,100 00
Material and supplies and working cash	600 00	650 00	800 00	800 00
Advances by consumers		1,931 25	2,305 06	2,000 00
Investment	9,029 27	8,870 11	10,725 95	11,900 00
Revenue—				
Lighting	$1,800 75	$2,024 90	$1,314 59	$2,625 00
Power	845 80	1,022 47	628 98	1,250 00
Total	$2,646 55	$3,047 37	$1,943 57	$3,875 00
Expenses—				
Purchased energy	$1,392 32	$1,441 21	$850 32	$2,100 00
Other	777 34	957 99	407 88	1,100 00
Total	$2,169 66	$2,399 20	$1,258 20	$3,200 00
Net for depreciation and return	$476 89	$648 17	$685 37	$675 00
Depreciation	220 00	265 00	160 00	350 00
Net for return	$256 89	$383 17	$525 37	$325 00
Rate of return on investment	2.85%	4.32%	9.8%	2.73%

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From this table it appears that past earnings as related to investment have not been at all excessive, and except for the first six months of the current year have not approached a fair return. The figures in the last column clearly show that if a reasonable return is to be maintained, additional revenue must be forthcoming.

Investigation shows that flat rate consumers have not in the past been meeting their just proportion of the cost of operation and purchased energy. While it is admitted that the flat rate system can not furnish a satisfactory basis for charges, it does not appear possible for applicant to immediately install meters for all consumers, and it is therefore necessary to make temporary provision for flat rate service. The revised schedule of flat rates hereinafter set forth is designed to take care of a fair proportion of the costs of operation and purchased energy used by flat rate consumers.

It also appears that power consumers have been paying a minimum charge of $5 per month regardless of the size of installation, and in certain cases where power is used for seasonal service in packing houses or canneries this has resulted in an unduly low rate. If such low rates to certain consumers were maintained, other consumers who are already paying their share of the costs of service would have to bear an additional increase. Accordingly more rational minimum charges for power service are included.

It was further shown that consumers using electricity for heating, cooking or power purposes are receiving current for lighting at the power rate, the result being that these consumers get lighting service at a much lower rate than do their neighbors who use current for lighting only. This is corrected by including in the rate for combined lighting and cooking service a block at the standard lighting rate which will cover the consumption for lighting purposes.

With these changes in the present system of rates it will be possible for applicant to secure sufficient revenue without marked increases in the rates paid by regular consumers. The rates hereinafter set forth will produce a gross annual revenue of $4,500, which, after deducting operating expenses, costs of purchased energy and a reasonable allowance for depreciation, will leave a net revenue of $1,000 per year, or approximately 8 per cent return on the investment.

ORDER.

R. A. Rose, an individual doing business under the fictitious name of Fair Oaks Electric Company, having applied to the Railroad Commission for an order establishing reasonable rates to be charged for

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electricity, a public hearing having been held, the matter having been submitted and being now ready for decision:

The Railroad Commission of the State of California hereby finds as a fact that the rates now charged by R. A. Rose for electricity are unjust, unreasonable and inadequate in so far as they differ from the rates and charges hereinafter set forth, which are found to be just and reasonable rates.

Basing its order on the foregoing findings of fact and on the other findings of fact contained in the opinion which precedes this order;

It is hereby ordered, that R. A. Rose be and he is hereby authorized to charge and collect the following rates for electricity effective for flat rate service rendered on and after October 1, 1920, and for meter service based on regular meter readings taken on and after October 25, 1920, to wit:

Schedule L-1

General Lighting and Small Motors—Metered.

11 cents per kilowatt hour.

Minimum bill, $1.50 per meter per month.

Schedule L-2

Domestic Lighting—Flat Rate.

This rate will only be granted pending meter installation by the company. Any consumer on this schedule may, on application, have a meter installed and be charged under Schedule L-1.

For residences of 4 rooms or less	$1.75 per month
For each additional room	.25 per month
For each electric iron, toaster, percolator or other appliance consuming 500 watts or more	.50 per month

Schedule C

Combined Lighting, Cooking, Heating and Small Single Phase Power (3 horsepower or less).

For the first 30 kilowatt hours per meter per month	11 cents per k. w. h.
All over 30 kilowatt hours per meter per month	4 cents per k. w. h.

Minimum bill, $5 per meter per month.

When no lighting service is supplied the rate will be 4 cents per kilowatt hour for all current consumed.

Schedule P

Power Service.

4 cents per kilowatt hour.

Minimum charge, $1 per month per horsepower connected, but not less than $5 per month.

For service to packing houses and other seasonal industries where power is used during not to exceed six months per year: Minimum charge, $6 per horsepower per year, but not less than $30 per year.

Provided, that R. A. Rose shall, within ten days of the date of this order, file with the Railroad Commission the schedules of rates herein established.

Dated at San Francisco, California, this eleventh day of October, 1920.

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DECISION NO. 8226.

GRIDLEY LAND & IRRIGATION COMPANY ET AL.

vs.

SUTTER BUTTE CANAL COMPANY, A CORPORATION.

Case No. 1456.

IN THE MATTER OF THE COMMISSION'S INVESTIGATION ON ITS OWN MOTION, INTO THE RULES, REGULATIONS AND PRACTICES OF SUTTER BUTTE CANAL COMPANY WITH REFERENCE TO THE DELIVERY OF WATER BY IT TO ITS CONSUMERS AND THE RATABLE APPORTIONMENT OF THE AVAILABLE SUPPLY DURING THE 1920 IRRIGATION SEASON.

Case No. 1458.

Decided October 11, 1920.

Henry Ingram, for Complainants in Case No. 1456.
Douglas Brookman and *Isaac Frohman*, for Sutter Butte Canal Company.
W. H. Carlin, for certain landowners in Sutter County.
Lawrence Schilling, for Alvin Weis and Live Oak Water Users' Association.
A. H. Hewitt, for Sutter Water Users' Association.
Arthur H. Redington, for W. H. Carlin et al.
I. J. Truman, Jr., for Northern California Land Company.
George F. Jones, for certain stockholders of Western Canal Company.

MARTIN, *Commissioner*.

OPINION.

Complainants in the above entitled formal complaint are patrons of Sutter Butte Canal Company and consumers of water for irrigation purposes from said system. Sutter Butte Canal Company is a public utility corporation engaged in the business of supplying water for irrigation purposes to certain territory in Sutter and Butte counties, State of California.

Complainants in this proceeding asked that the Railroad Commission make its order establishing rules and regulations with reference to the proration and distribution of water by said Sutter Butte Canal Company, it being alleged by said complainants at the time this action was filed that such supervision was necessary by reason of a water shortage which threatened at that time.

Thereupon the Railroad Commission instituted an investigation on its own motion, as entitled above, and both of these matters were set down for hearing. This situation was given wide publicity and all interested parties were given an opportunity to appear at the hearing.

The evidence presented at the hearing in these matters made possible a careful study of the situation and developed tentative plans relating to the proposed conservation of water during the emergency, economic deliveries and more efficient operation.

During the pendency of these proceedings the Great Western Power Company, the Western Canal Company and the Sutter Butte Canal

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Company entered into an agreement with each other whereby the general administration of the irrigation systems supplying this territory was placed under the control of the Railroad Commission during the 1920 irrigation season. Under this agreement the Commission placed its representative in the district in question, and he was delegated such authority as would enable him to work out methods for the conservation of water, outline schedules of delivery, and do whatever appeared necessary in the premises to the end that all available water might be put to beneficial use. Both the companies and the consumers entered into this spirit of cooperation with the result that normal crops have been produced.

Inasmuch as it now appears that the crisis of the 1920 irrigating season is past, and the matters complained of herein have been satisfactorily adjusted, I recommend the following form of order:

ORDER.

Complaint having been made against Sutter Butte Canal Company as entitled above, and the Commission having instituted an investigation into the rules and regulations of said company; the matters having been joined for hearing and investigation, and the Commission being fully apprised in the premises:

And it appearing that the matters complained of and which were subjected to investigation have been satisfactorily adjusted:

It is hereby ordered, that the above entitled matters be and they are hereby dismissed.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this eleventh day of October, 1920.

DECISION NO. 8227.

ROSEVILLE WATER USERS ASSOCIATION

vs.

ROSEVILLE WATER COMPANY, A CORPORATION.

Case No. 1127.

Decided October 11, 1920.

A. J. Harder, for Complainants.
James D. Meredith, for Defendant.
J. B. Gibson, for City of Roseville.

BY THE COMMISSION.

OPINION AND ORDER ON REHEARING.

This is a matter in which the Railroad Commission issued its order (Decision No. 5735) on September 5, 1918, establishing a certain

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schedule of rates to be charged for domestic and municipal service in the city of Roseville. Thereafter, the city of Roseville filed a petition for rehearing, alleging that it had not had proper notice of the hearing in the above entitled matter and protesting against the rate established for fire hydrant rental to the municipality.

Pursuant to this action, on September 19, 1918, the Railroad Commission made its order suspending the effective date of Decision No. 5735 during the pendency of said application for rehearing. Thereby the rates established by Ordinance No. 76 of the city of Roseville became the legal rates, and these rates have remained in force and effect since that time.

On January 22, 1919, a further hearing was held on the petition of the city of Roseville for rehearing, and all interested parties, including the city Roseville, were duly notified and given an opportunity to appear and be heard.

In another proceeding before this Commission (Application No. 4157, filed October 14, 1918), Roseville Water Company made application to the Commission for authority to increase its rates. This matter was assigned for hearing, but the date thereof postponed from time to time until, on September 23, 1919, at the request of applicant, the matter was removed from the Commission's calendar. On September 30, 1920, a written request for the dismissal of this application was filed, indicating that applicant did not desire to pursue the matter further, and thereupon said application was dismissed.

It now appearing that the effective date of this Commission's order in Decision No. 5735 having been suspended as indicated above, and therefore the rates established therein never having become effective, and the rates established by Ordinance No. 76 of the city of Roseville having at all times been the legal rates in effect, and it further appearing that at this time Roseville Water Company does not desire to ask this Commission for authority to increase its rates:

It is hereby ordered, that this Commission's Decision No. 5735 in the above entitled matter be and it is hereby rescinded and set aside, and

It is hereby further ordered, that the complaint in the above entitled matter be and it is hereby dismissed, without prejudice.

Dated at San Francisco, California, this eleventh day of October, 1920.

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DECISION NO. 8238.

IN THE MATTER OF THE APPLICATION OF PORT COSTA WATER COMPANY, A CORPORATION, FOR PERMISSION TO INCREASE THE RATES FOR WATER FURNISHED BY SAID CORPORATION.

Application No. 4965.

Decided October 15, 1920.

WATER RIGHTS—LITIGATION EXPENSES—RETURN ON.—The cost of litigation engaged in by a water utility in defending its water rights is not included in annual operating expenses, but as part of the costs of its rights to its water supply, and the sum representing the allowance for this expenditure is included in the rate base upon which interest return is allowed.

OPERATING EXPENSES—LEGAL AND ENGINEERING EXPENSE INCIDENT TO HEARINGS.—An item of $3,296.40 incurred by applicant for legal and engineering expense incident to its application to increase rates is not included in operating expenses for the current year, as such expenses will not occur annually but should be amortized over a period of their probable recurrence. Revised schedule of rates established to become effective within twenty days.

A. E. Shaw, for Applicant.

Elmer Westlake and *Frank B. Austin*, for Southern Pacific Company.

Thomas R. Hanna, Protestant.

Courtney L. Moore, for William H. Neff, a property owner in the town of Crockett.

T. D. Johnston, for the Town of Martinez.

MARTIN, *Commissioner*.

OPINION.

In the above entitled proceeding Port Costa Water Company makes application to the Railroad Commission for authority to increase its rates for water supplied by it for domestic and industrial purposes to consumers in the cities and towns of Concord, Port Costa, Crockett, Tormey and Rodeo and the various industrial and manufacturing concerns located in their environs along the San Pablo Bay shore in Contra Costa County, also for water supplied to the city of Martinez, which city in turn distributes the water to its inhabitants through its municipally-owned distribution system.

The application alleges in effect that due largely to increased costs obtaining at the present time the present rates are noncompensatory and inadequate and do not produce sufficient revenue to return the maintenance and operation expenses, a depreciation allowance and interest upon a fair valuation of the properties used and useful.

A public hearing was held in this proceeding, of which all interested parties were duly notified and given an opportunity to appear and be heard.

The Port Costa Water Company is situated in territory which has experienced a rapid development. About 1887 Mr. George W. McNear established a grain and warehouse business in Port Costa, and in order to provide this business and other warehouses and industrial

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plants, as well as the inhabitants of Port Costa, with an adequate water supply, he constructed the nucleus of the present water plant. This consisted of a small impounding reservoir in Bull Canyon, in the vicinity of Port Costa, and a pipe system which delivered water by gravity from this canyon to the town. Owing to the rapid development of industry in this territory, however, it soon became necessary to secure additional sources of water supply. There being no additional sources in that immediate vicinity, the entire water system, which at that time supplied Martinez was acquired in order to provide a sufficient quantity to care for the needs of Port Costa and the industrial plants in that vicinity.

The Martinez plant was purchased by Mr. McNear in 1889. Soon, however, the demand for water again exceeded the supply and it became necessary to obtain additional water. Many different schemes were tried, none, however, yielding a sufficient water supply to meet the needs. In 1898 Mr. McNear organized and incorporated the present water company, which immediately proceeded to purchase water-bearing land in the vicinity of Concord. Wells were drilled on this water-bearing land, which is known as Hollar Field. The results were very satisfactory and a good supply was procured. Other water-bearing lands in the same vicinity were later purchased, and gradually the present sources were acquired and developed as the demand for water increased. The purchase of this land at Concord necessitated the construction of a long transmission main at considerable expense. As the territory developed, the company from time to time extended its service, until at this time it serves a very extensive area along the San Pablo Bay shore from Martinez to Rodeo. This territory has been developed very largely by reason of its location upon navigable waters, the land contiguous thereto being very advantageous sites for industrial and manufacturing plants.

In 1918 the city of Martinez purchased the distribution system within its corporate limits and now purchases water from applicant which the city in turn delivers to its inhabitants. A large portion of the water produced by this company is delivered to industrial and manufacturing plants. Apparently, owing to the large quantities of water used, and by reason of a desire to attract industries to this district, special rates have been arranged between applicant and various enterprises. The company's record for 1919 shows an average of 893 consumers with a total annual consumption of 59,166,339 cubic feet of water. It appears that large industrial plants and various enterprises under this system, having special rates, consume 89 per cent

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of the total, though the records show that they are paying only approximately 66 per cent of the total income received, the remaining 11 per cent of the consumption being largely domestic use at metered and flat rates. About 91 per cent of the consumers are being served on a measured basis.

By reason of these special agreements made with various industries and large users at the time the service was installed, many different schedules of metered rates are in effect on this system, and it is apparent that this should be corrected and a uniform schedule of water rates established, whereby the annual charges may be equitably distributed among the consumers in proportion to their use of water, thus removing the element of discrimination which now prevails.

Reports and appraisals relating to the value of the Port Costa Water Company system were submitted by J. Q. Barlow, engineer for the company, and H. A. Noble, for the Railroad Commission.

The estimated original cost of this system as submitted by the Commission's engineer at the hearing has been corrected as to certain errors and omissions. The following is a summary of the appraisals of physical properties submitted, exclusive of real estate:

J. Q. Barlow, for Applicant.

Estimated original cost	$572,831 00
Reproduction cost	832,771 00
Reproduction cost less depreciation	635,627 00
Annual depreciation (computed by straight line method)	21,796 00

H. A. Noble, for Railroad Commission.

Estimated original cost	$519,674 00
Replacement fund (computed by sinking fund method)	5,075 00

The estimates submitted by Mr. Barlow purport to show the estimated original cost of applicant's properties. The estimate was arrived at by using prices of materials and labor which prevailed prior to the recent abnormal increase. Such portions of the plant as were constructed during this period of abnormal prices were included at their estimated cost based on records of costs kept by the company. No records of original cost prior to 1906 are available, as the books of the company were destroyed in the San Francisco fire. The Commission's engineer used the same general method in arriving at the sums reported by him.

The reproduction cost, as submitted by applicant, is computed on a basis of so-called original cost; and by applying thereto certain percentages, the estimated present-day costs are obtained. This estimate was submitted for the purpose of arriving at a sum to be included

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in the annual charges for depreciation. It appears from the testimony that the differences in the two appraisals submitted, as regards these items, arises largely from higher labor costs and overhead percentages used by the engineer for the company than used by Mr. Noble. Generally, there appears to be no large difference in the cost of materials used. A straight-line depreciation annuity has been computed by applicant on this reproduction cost.

Mr. Barlow submitted the sum of $106,860 as the estimated value of real estate, whereas the records of the company as reported upon by Mr. George R. Kibbe, Chief Accountant of the Commission, show the cost of these lands to have been $88,321.24. An examination of record herein discloses the fact that a material portion of these lands is not operative property. It appears that the so-called Christopher land, a portion of the Bisso purchase, six lots at Pacheco, various lots at Martinez and an old reservoir site are nonoperative. The cost of these properties, as shown by the records, was $40,172, leaving as the cost of operative lands the sum of $48,149.

Attention is directed to the fact that these lands are only partially used for the benefit of the applicant's consumers. They are valuable to applicant from two separate and distinct standpoints. The possibility of extracting water therefrom to provide a water supply for consumers constitutes their value as a public utility property, but a portion of the area has been planted to orchards which will come into bearing in the near future, and thus the lands also have a distinct value by reason of the prospective income they will produce from this source.

Certain land owners in the vicinity of applicant's water-bearing lands have attempted to obtain a restraining order prohibiting applicant from extracting water from these lands. In defending its position the company has been put to a very large expense. In 1919 alone applicant spent the sum of $27,441.25 in this litigation. Although applicant has included this sum in its operating expenses, it appears that any expenditure it may make in connection with this litigation is properly a part of the cost of its rights to its water supply, and therefore a sum representing an allowance for this expenditure has been included in the rate base herein, upon which interest return is allowed.

A careful consideration of the evidence relating to the value of this system leads to the conclusion that the applicant is entitled to an interest return on the sum of $650,000.

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The following tabulation, compiled from the annual reports of applicant to the Commission, shows the maintenance and operation expenses and revenue for the past three years:

	1917	1918	1919
Maintenance and operation expenses	$43,012 10	$52,242 41	$86,741 13
Operating revenue	86,987 59	94,776 23	91,445 04

The evidence shows the operating expenses for 1919 include an item of $27,441.25 for a portion of water litigation expenses, said item having been mentioned heretofore as not a proper annual maintenance charge. Furthermore, in 1919, there was included $3,296.40 for legal and engineering expenses incident to the Railroad Commission proceedings, which are not recurrent annually, and the total expense for this charge should be amortized over the period of their probable recurrence.

Taking into consideration the above facts and the evidence submitted, together with an analysis of the operating expenses heretofore incurred by applicant, and allowing for certain increase in the cost of operation, including labor and electric power for pumping, it appears that $62,000 annually is a fair and reasonable maintenance and operation charge. The depreciation annuity, computed by the sinking fund method, is found to be $5,074.97, and this amount is set out as an available fund to be used for the replacement of wornout properties.

A summary of the annual charges follows:

Interest on $650,000 at 8 per cent	$52,000 00
Replacement fund	5,075 00
Maintenance and operation expense	62,000 00
Total	$119,075 00

The rate schedule at present in effect does not produce the above amount, and therefore it appears that the application for authority to increase rates should be granted. The rate schedule established in the following order is designed to yield the above annual charges, and also to remove any discrimination which may exist due to the various special rates heretofore in effect.

ORDER.

Port Costa Water Company having applied to this Commission for an order authorizing it to increase its rates and a public hearing having been held and the Commission being fully apprised in the premises:

It is hereby found as a fact that the present rate schedule of Port Costa Water Company, in so far as it differs from the rate schedule

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herein set out, is unjust and unreasonable, and that the rates herein established are just and reasonable rates to be charged by said company for water.

And basing its order upon the foregoing finding of fact, and the other statements of fact contained in the opinion preceding this order;

It is hereby ordered, that Port Costa Water Company be and it is hereby authorized and directed to file with this Commission within twenty (20) days of the date of this order, and thereafter charge, the following rates:

Rate Schedule.

1. Monthly minimum payments for metered service:

For ¾-inch and ⅝-inch meters	$1.25
For 1-inch meter	2.50
For 1½-inch meter	3.75
For 2-inch meter	5.00
For 3-inch meter	6.00

2. Monthly quantity rates:

From 0 to 2,000 cubic feet, per 100 cubic feet	.35
From 2,000 to 6,000 cubic feet, per 100 cubic feet	.30
From 6,000 to 12,000 cubic feet, per 100 cubic feet	.25
All over 12,000 cubic feet, per 100 cubic feet	.165

3. Shipping use:

For all boats, per 100 cubic feet delivered	1.75
Minimum charge	3.00

4. Municipal and county use:

1. For fire hydrants:	
3-inch, each per month	1.75
2-inch, each per month	1.25
2. For sprinkling roads and streets by the city or county, measured by tank wagon capacity, per 100 cubic feet	.17

All other municipal use at the regular meter rates.

5. Flat rates:

The flat rates at present in effect shall be increased uniformly twenty (20) per cent.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this fifteenth day of October, 1920.

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DECISION NO. 8239.

IN THE MATTER OF THE APPLICATION OF SANTA BARBARA AND SUBURBAN RAILWAY COMPANY FOR AN INVESTIGATION OF ITS SERVICES AND FINANCIAL CONDITION, AND FOR AN ORDER AUTHORIZING IT TO SO OPERATE ITS SYSTEM FOR THE TRANSPORTATION OF PASSENGERS BY MEANS OF STREET CARS AND MOTOR BUSSES UPON CERTAIN OF THE STREETS OF THE CITY OF SANTA BARBARA, THAT THE INCOME WILL BE SUFFICIENT TO PAY THE COST OF SERVICE.

Application No. 4775.

Decided October 15, 1920.

STREET CAR RATES—FRANCHISE REQUIREMENTS—PAVING—DUPLICATE SERVICE.—In connection with a petition that the street car service of applicant in the city of Santa Barbara be so revised that it will permit applicant to earn operating expenses without increasing rates, recommendations are made that the company obtain from the city revision of franchise requirements as regards paving, and the city being unwilling to amend its franchise in such respect, rates are increased to 8 cents per trip and the elimination of certain duplicate service directed.

Roy V. Reppy and *William G. Griffith*, for Applicant.

W. P. Butcher, Fred L. Johnston and *J. E. Sloan*, for the City of Santa Barbara.

MARTIN, *Commissioner*.

OPINION.

The Santa Barbara and Suburban Railway Company, hereinafter referred to as the company, asks that the Commission make an investigation of the service and financial condition of the company, for the purpose of making an order that will result in the operation of this transportation system within the city of Santa Barbara in such a manner that the income will be sufficient to pay the cost of service. The applicant states that it has long been, and is now, sustaining a very heavy financial loss, and that such loss is a result not only of the increase of wages and the cost of materials, but that there has been sustained by applicant, at all times since the commencement of operation of its street railway and auto-bus lines, an exceedingly heavy loss. It is stated that during the past two years wages have increased at least 40 per cent and the cost of materials at least 50 to 200 per cent, or more, but that there has never been any increase in the rates of fare.

The applicant states that it is its desire to so operate this system, if possible, that it will be unnecessary, in order to pay legitimate operating charges, to increase the existing rates of fare or lower the standard of service, and that it is willing to cooperate in any manner that may be suggested to obtain this result. The applicant desires the benefit of such advice and recommendation as this Commission may make after a careful investigation and study, and declares itself willing

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to put into practice operating economies that it may be found possible to make.

An investigation of the nature asked for by the company was made by the Commission's engineering department, and copies of the department's report were furnished to the parties in this proceeding. A public hearing was held in Santa Barbara, at which evidence was introduced by the company and by the Commission. At that hearing the company filed an amendment to its application. This amendment was filed as a result of the investigation made by the Commission's engineers and by the company, which had led the company to the conclusion that an increase in the existing rates of fare would be necessary, in order to obtain an income sufficient to pay operating expenses and fixed charges. A rate schedule was suggested by the company in this amendment.

It appears from the investigation the Commission has had conducted, as also from the exhibits introduced, that the company has operated with a steady deficit since 1914, and since 1916 has failed to earn operating expenses and taxes, without having consideration to fixed charges or fair return on any rate base, this being the result in spite of the fact that adequate allowance for depreciation has not been made by the company.

Investment in this property stands on the books of the company as of January 1, 1920, at $1,115,830.23. There are included in this amount, however, certain intangible items (franchises) to the amount of $662,782.20. If, for the purpose of this proceeding, intangibles are ignored altogether, there remains an investment figure of $453,048.03. A detailed valuation of the property has not been made. The Commission's chief engineer testified, however, that a valuation on an historical reproduction cost basis would lead substantially to the figure last given, and that a valuation on the basis of reproduction cost new, depreciated, would give a figure considerably in excess of that amount. The company is capitalized as follows:

(1) First mortgage 6 per cent 25-year gold bonds dated March 15, 1912, outstanding to the amount of ..... (All of these bonds are owned by the Southern California Edison Company. During the last fiscal year no interest has been paid on these bonds.)	$236,000 00
(2) Second mortgage 5 per cent 30-year gold bonds dated March 15, 1912, outstanding to the amount of..... (Of these, $33,000 are owned by the Southern Pacific Edison Company, and on these bonds no interest has been paid during the last fiscal year. The interest on the remaining $130,000 par value issued and outstanding was paid on the basis of 40 per cent of the amount accruing thereon at the rate of 5 per cent.)	163,000 00

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(3) Common stock issued and outstanding on May 31, 1919, 5000 shares par value of ... (No dividends have ever been paid on this stock.)	500,000 00
(4) Total stock and bonds ...	$890,000 00

From the standpoint of investment, or the value of the physical property, in view of the approximate valuation figures given above, it does not appear that the company is over-bonded.

It is apparent that the property is well managed and efficiently operated and that there is no possibility of effecting any material savings by way of better management. The service is very good. A lengthening of headway can not be recommended since the result would be a corresponding loss in business that would more than offset any economies by reason of increased operating expenses.

There is a duplication between street car and auto-bus service that the Commission's engineers recommend should be done away with, with a saving of approximately $6,000 per annum.

Since, in the matter of service, the franchise conditions imposed by the city of Santa Barbara are controlling, it was suggested at the hearing that the company take up this matter with the city council and obtain relief from the obligations causing such duplicate service. This the company has done.

It also developed that the franchise obligation of the company, in the matter of paving of the city streets used by the street railway, constitutes a heavy capital and operating expense burden which must, of course, be borne by the patrons of the street railway. An elimination of this paving expense, in whole or in part, would go a long way in reducing expenses and, consequently, reduce correspondingly the need of higher rates of fare. Since the matter of street paving is also one outside of the jurisdiction of this Commission, it was agreed that in this matter, too, the company should attempt to obtain a modification of franchise conditions from the city council.

The city council, passing on the formal application of the company relative to these matters, decided at its meeting on July 19, 1920, to deny the application of the company relative to a modification of the franchise conditions pertaining to paving, but granted the application asking for a change of schedule on Haley street and a change of schedule for busses.

The Commission will expect the company, therefore, to do away with duplicate service, and the fact that no relief is to be had by the company from paving expense will have to be taken into consideration by the Commission.

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It was suggested as one of the possible solutions of the street railway situation in Santa Barbara that a purchase or a lease of the property by the city might be considered.

The city council seems to be unanimous, however, that such a solution is out of the question. Neither would the representatives of the city consider the possibility of the discontinuation of the street car service, and they were unanimous in their insistence that such service must be continued in Santa Barbara, even at an increased fare, if no other course is open.

I am satisfied that the necessary increase in revenue can only be brought about through an increase in fares. The establishment of a zone system seems to be out of the question in Santa Barbara, on account of the shortness of the street railway lines, and a uniform fare, regardless of distance traveled, seems the only practicable method in the city.

The schedule of fares that I am recommending in the following order is, I believe, a fair and reasonable one, having in mind the service rendered, and will produce sufficient revenue to enable the company to continue operation. The company, itself, is willing to put this schedule into effect, although it is not contemplated that the net earnings will be sufficient to meet all of the fixed charges.

Very considerable further savings can be effected by the substitution of one-man safety cars for the present type of equipment. If one-man cars are put into service, the platform expense and the power expense both will be very considerably lower than at present, and it will be possible to shorten the headway, increase the number of passengers and enlarge materially the net return. The change to one-man safety cars from present equipment should, therefore, be strongly urged upon the company, although I do not believe it necessary, at this time, to include in the Commission's decision an order for the purchase of such cars. The company will, I believe, wish to effect such a change as rapidly as possible, without an order from the Commission.

The following form of order is recommended:

ORDER.

Santa Barbara and Suburban Railway Company having filed with the Commission its application and its amended application for an investigation of its service and financial condition, and for an order authorizing applicant to put into effect a higher schedule of street railway fares than the one now in effect, and for such further orders with respect to service and other matters of operation as to the Commission shall seem advisable:

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It is hereby ordered as follows:

1. Applicant is authorized to file with the Commission and put into effect on its street railway system in the city of Santa Barbara, within twenty days from the date of this order, the following schedule of fares:

(a) Single cash fare	$0 08
(b) Unlimited tickets in strips of 5 coupons	35
(c) Limited school children's books of 40 coupons, applicable to children under 12 years of age and during days on which school is held	1 00

2. Applicant shall eliminate duplicate service as referred to in the opinion preceding this order.

The Commission hereby reserves the right to make such other and further orders in this proceeding as to it may appear right and proper.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this fifteenth day of October, 1920.

DECISION NO. 8241.

IN THE MATTER OF THE APPLICATION OF SACRAMENTO GAS COMPANY FOR AN ORDER INCREASING GAS RATES IN THE CITY OF LODI, CALIFORNIA.

Application No. 5694.

Decided October 15, 1920.

Chas. T. Hills, for Applicant.

BY THE COMMISSION.

OPINION.

Sacramento Gas Company applies herein for authority to increase its rates and charges for gas service supplied in the city of Lodi. Applicant operates an artificial gas plant and distribution system in Lodi and is also engaged in business as a gas utility in the city of Sacramento.

It is alleged that the cost of oil and other operating expenses has increased to such an extent since the present rates were established in October, 1918, by Decision No. 5865 in Application No. 4045, that its operations in the city of Lodi are being conducted at a loss.

A hearing was held before Examiner Satterwhite in Lodi on August 20, 1920, at which time evidence was introduced as to the rates and operations of applicant and the matter then submitted.

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The results of applicant's gas operations for the year ending June 30, 1920, were as follows:

Gross revenue from gas sales	$20,968 00
Operating expenses, including taxes and depreciation	20,494 00
Balance for return	$474 00

In this period applicant supplied 631 consumers and sold 12,450,000 cubic feet of gas, in the manufacture of which 6099 barrels of oil were used at an average cost of $1.71 per barrel.

For the preceding year ending June 30, 1919, applicant's sales and revenue were somewhat less and there was likewise a very small margin of earnings after paying operating expenses. Applicant's gas manufacturing process is not efficiently conducted, an excessive amount of oil being used in proportion to its output and in comparison with other gas utilities operating under similar conditions. The price paid for oil has steadily increased, reaching a figure of $2.19 in August, 1920, and it appears that for the period immediately following the date of this order applicant will be required to pay not less than $2.35 per barrel for oil used in its Lodi plant.

Operating expenses, upon which the rates herein are fixed, will therefore be based upon an oil cost of $2.35 per barrel and a consumption of 16 gallons of oil per thousand cubic feet of gas sold, which is a reasonable use for this plant. The normal growth of the system indicates that, in the period considered, approximately 694 consumers would be supplied and applicant's sales would aggregate 13,700,000 cubic feet per annum. From the evidence herein, it appears that the reasonable operating expenses chargeable against applicant's gas operations in Lodi will be the sum of $28,777, as detailed in the following table. The revenue to be derived from the present rates will be but $27,400, so that an annual operating deficit of $1,377 will result.

Sacramento Gas Company—Lodi Plant—Revenue and Expenses.

	Under Present Rates	Under Increased Rates Authorized
Revenue	$27,400 00	$34,270 00
Operating expenses:		
Production—oil	$12,267 00	$12,267 00
Production—other	7,050 00	7,050 00
Distribution	2,150 00	2,150 00
Commercial	1,770 00	1,770 00
General	1,830 00	1,830 00
Taxes	1,670 00	2,080 00
Depreciation	1,900 00	1,900 00
Uncollectible accounts	140 00	160 00
Total operating expenses	$28,777 00	$29,207 00
Deficit	$1,377 00	
Net for return		$5,063 00

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Applicant has not fully complied with this Commission's requirements for gas service. Pressure conditions in particular should be improved. The ability to charge compensatory rates is predicated upon a service in accord with this Commission's standards. It is apparent, however, that there is a real necessity for providing applicant with greater revenue by reason of the increases in operating costs which it has been compelled to meet. An increase of about 25 per cent in its existing rates is necessary to meet the present level of operating costs and provide a normal return. The rates set forth in the order herein are designed to accomplish this purpose, and, as shown in the preceding table, will produce an annual revenue of $34,270, which, after the deduction of operating expenses set forth, will leave a net for return of $5,063 per annum.

In Decision No. 5865, *supra*, a reasonable value of applicant's physical properties at that time was taken as $71,800. Subsequent expenditures to date for additions and betterments aggregate $5,403. Making due allowance for working capital and materials and supplies, it appears that a reasonable valuation of applicant's properties for the purpose of this proceeding would be in the sum of $82,500. Upon this basis the yield to be obtained from the rates herein established is slightly in excess of 6 per cent. There is every opportunity, however, of applicant's reducing operating expenses by improved methods and efficiencies which will substantially increase the earnings from its business.

ORDER.

The Sacramento Gas Company having applied to the Railroad Commission for authority to increase its gas rates in the city of Lodi, a hearing having been held, the matter being submitted and now ready for decision:

The Railroad Commission of the State of California hereby finds as a fact that the rates now charged by Sacramento Gas Company for gas service in the city of Lodi are not just and reasonable rates and that the rates herein authorized are, under present conditions, just and reasonable rates for gas in the city of Lodi.

Basing its order on the foregoing findings of fact and the other findings of fact contained in the opinion which precedes this order:

It is hereby ordered, that Sacramento Gas Company be and it is hereby authorized to charge and collect for gas in the city of Lodi

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the following schedule of rates, effective for all regular meter readings taken on and after the twenty-fifth day of October, 1920:

First 400 cubic feet per meter per month, or less	$1 25
Next 2,600 cubic feet per meter per month	$2 25 per thousand cubic feet
Next 7,000 cubic feet per meter per month	2 00 per thousand cubic feet
Next 10,000 cubic feet per meter per month	1 85 per thousand cubic feet
All over 20,000 cubic feet per meter per month	1 70 per thousand cubic feet

Provided, Sacramento Gas Company shall, within ten days of the date of this order, file with the Railroad Commission the schedule of gas rates herein authorized.

Dated at San Francisco, California, this fifteenth day of October, 1920.

DECISION NO. 8242.

IN THE MATTER OF THE APPLICATION OF J. G. PETERS FOR AN ORDER OF THE RAILROAD COMMISSION AUTHORIZING HIM TO INCREASE RATES FOR ELECTRIC ENERGY AND SERVICE FURNISHED BY HIM TO HIS CONSUMERS OF ELECTRICITY.

Application No. 6066.

Decided October 15, 1920.

E. D. Peters, for Applicant.

BY THE COMMISSION.

OPINION.

In this application J. G. Peters, engaged in supplying electricity in a limited portion of Placer County, alleges that his operating expenses will be affected by the recent increase in the cost of electricity purchased by him from the Pacific Gas and Electric Company and asks that the rates to his consumers be increased to such extent as shall be found just and reasonable by the Commission.

A public hearing was held before Examiner Satterwhite at Colfax on September 21, 1920, and the matter thereupon submitted.

Applicant has no generating facilities, but purchases electricity from Pacific Gas and Electric Company. He supplies about 60 consumers with lighting service under the following schedule of rates established by this Commission's Decision No. 5965 dated August 16, 1918:

Commercial and Residence Lighting and Small Power Service.

First 30 kilowatt hours per meter per month	10 cents per kilowatt hour
All over 30 kilowatt hours per meter per month	6 cents per kilowatt hour

Minimum charge, $1.25 per meter per month.

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The following table summarizes applicant's operations for the first eight months of the year 1920 as shown by his books:

Gross revenue	$1,090 07
Operating expenses:	
Miscellaneous general expense	$16 30
Taxes, first installment	43 84
Auto upkeep	100 20
Manager's salary and labor	800 00
Purchased energy	305 80
Net operating expenses	$1,266 14
Deficit	$176 07

Based on the above items of revenue and expense, and extending the same to cover a full year's operations and the present increased cost of power, it appears that applicant will derive a revenue of $1,890 and will incur actual operating expenses of $2,044, without making any allowance for depreciation or return upon his investment. Applicant can not continue to serve his customers if this service is to continue at a loss.

The amount of energy purchased by applicant for distribution to his consumers indicates that in excess of 40 per cent is absorbed in applicant's transmission and distribution lines. Such a loss is excessive and its reduction by the installation of improved facilities will effect a substantial saving to applicant. Applicant's line losses being reduced to a nominal amount, the deficit above mentioned can be converted into a surplus.

Applicant asks for no return upon his investment and expresses a willingness to charge under such a schedule of rates as will enable him to meet only his expenses. No detailed investigation of the value of applicant's properties has been made herein. It appears, however, that his plant and properties cost in the neighborhood of $7,000. It is not reasonable to expect that any utility should be required to render service under the conditions existing in applicant's territory without receiving at least a nominal return upon the investment devoted to such public service. Increased rates will therefore be granted applicant to permit him to pay his operating expenses and to make a nominal return. It is anticipated that the rates set forth in the order herein will produce a gross revenue of $2,150 per annum and will leave a surplus of $300 above operating expenses to apply upon the investment.

ORDER.

J. G. Peters having filed with the Railroad Commission an application for authority to increase rates for electric service, a public

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hearing having been held, the matter being submitted and now ready for decision:

The Railroad Commission of the State of California hereby finds as a fact that the rates now charged by J. G. Peters for electricity are not compensatory rates and are not, under present conditions, just and reasonable rates, and further finds that the rates herein established are just and reasonable rates.

Basing its order on the foregoing findings of fact and the other findings of fact contained in the opinion preceding this order;

It is hereby ordered, that J. G. Peters be and he is hereby authorized to charge for electric service the following schedule of rates, effective for all regular meter readings taken on and after the twentieth day of October, 1920.

Schedule of Rates.

Residence and Commercial Lighting and Small Power Service.

First 30 kilowatt hours per meter per month..... 12½ cents per kilowatt hour
All over 30 kilowatt hours per meter per month ... 7½ cents per kilowatt hour
Minimum charge, $1.25 per meter per month.

Provided J. G. Peters shall, within ten days of the date of this order, file with the Railroad Commission the schedule of rates herein established.

Dated at San Francisco, California, this fifteenth day of October, 1920.

DECISION No. 8244.

IN THE MATTER OF THE APPLICATION OF LOS ANGELES GAS AND ELECTRIC CORPORATION FOR AUTHORITY TO INCREASE THE RATES CHARGED FOR ELECTRICITY.

Application No. 6186.

Decided October 16, 1920.

Paul Overton, for Applicant.
Jess E. Stephens and *W. B. Mathews*, for City of Los Angeles.

EDGERTON, *Commissioner*.

OPINION.

Los Angeles Gas and Electric Corporation, applicant herein, requests authority of the Commission to increase its rates for electric service to the extent of approximately 12½ per cent.

Applicant sets forth in its petition that it has not increased its rates for electric service since prior to the commencement of the world war although there has been a material increase in its expenses; that the increase which it requests is necessary due to further increases in cost of labor, oil and supplies; that the price it is required to pay for fuel

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oil will increase approximately 30 per cent within a few days due to expiration of a certain contract, and that it is expected a still further increase in the price of oil may occur during the coming year.

Applicant further states that the city of Los Angeles, in its Ordinance No. 40890 N. S., duly adopted by the council of said city on the fifth day of October, 1920, has made certain increases in the rates charged and collected by the city for electricity, effective for meter readings taken on and after October 11, 1920, and that the rates which applicant requests be put in effect are the same rates as fixed by the city ordinance.

Applicant sets forth in its exhibits, statements of the earnings, expenses and approximate investment of the company for the years 1918, 1919 and the fiscal year ending August 31, 1920, which show that the net earnings of applicant, after setting aside depreciation for the three years, varied from 6.49 per cent in 1918 to 6.9 per cent for the fiscal year ending August 31, 1920.

Analysis of the evidence shows that applicant will be required to increase its cost of labor by approximately $59,000 during 1921, based upon the extent of the business existing during the fiscal year above referred to. The price applicant has been required to pay for oil has increased from $1.57, being the average for the past year, to $2 per barrel at the present time, and the general prospects are that a further increase is apt to occur during the year 1921.

The increase in revenue which will result from the increase in rates requested would have amounted to approximately $206,875 if the higher rates had been in effect for the 12 months ending August 31, 1920. On the other hand, had oil cost the company $2 per barrel during the same period and the labor increases granted, and which it is planned to make effective during the coming year, been in effect, applicant's operating expenses would have been increased approximately $205,000. In case the price of oil had been $2.25 per barrel, the total increase for the items of oil and labor would have been $289,000, and, at a price of $2.50 per barrel, the operating expenses would have been increased $373,000.

It is apparent from the above that without material increase in business applicant will earn no greater return than earned in 1919 and 1920 during the year 1921, even with the increase applied for, at the present price of oil, and should the price of oil further increase, as may occur, applicant's net earnings will probably be reduced.

Under Ordinance No. 40890 the city of Los Angeles fixed the rates to be charged for electric service on the system owned by itself and

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upon the lines of the Southern California Edison Company within the city embraced in the purchase agreement, dated May 26, 1919, between the company and the city. Applicant is in direct competition with both the city and the Southern California Edison Company in practically all of the districts served, and it is apparent that the rates on its system should be the same as those existing on the competitive systems. From the evidence herein it is also apparent that the increases in rates are justified by the increases in cost of operation which applicant will incur. I find that the rates applied for by applicant, as set forth in Exhibit "A" attached to the application herein, are just and reasonable rates to be charged. Applicant does not request an increase of certain rates where competition does not exist, or for street lighting service rendered to the city.

I recommend the following form of order:

ORDER.

Los Angeles Gas and Electric Corporation having applied to the Commission for authority to increase its rates for electric service, hearing having been held, the matter being submitted and now ready for decision:

The Railroad Commission hereby finds as a fact that the rates and charges applied for by applicant, and as set forth in Exhibit "A" attached to the application, are just and reasonable rates to be charged for electric service by it.

It is hereby ordered, that Los Angeles Gas and Electric Corporation be and the same is hereby authorized to charge and collect for electric service rendered, as set forth in its Schedules Nos. 1, 3, 6-a, 6-b, 6-c and 7 on file with this Commission, based upon all regular meter readings taken on and after the eighteenth day of October, 1920, the proposed schedules of rates and charges as set forth in Exhibit "A" attached to the application herein.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this sixteenth day of October, 1920.

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DECISION NO. 8249.

IN THE MATTER OF THE APPLICATION OF THE CLAREMONT DOMESTIC WATER COMPANY FOR ORDER AUTHORIZING SALE AND ISSUE OF $29,950 OF THE CAPITAL STOCK TO PROVIDE FUNDS FOR OUTSTANDING OBLIGATIONS.

Application No. 5597.

Decided October 16, 1920.

BY THE COMMISSION.

FIRST SUPPLEMENTAL ORDER.

Whereas, the Railroad Commission, by Decision No. 7605, dated May 24, 1920, authorized Claremont Domestic Water Company to issue and sell on or before December 31, 1920, at not less than par, $29,950 of its common stock and use the proceeds to pay indebtedness reported in Exhibit "A," filed in Application No. 5356; and

Whereas, applicant reports that it has sold $25,000 of the stock; that it has paid all of the indebtedness referred to in Exhibit "A" except $13,000 which is not due until April 1, 1925; that it has on hand from the sale of the stock $7,840; that on account of the fall of the water level in existing wells and the increased demand for water, it will be required to expend $15,353.07 for a new well, for additional land for water development and for improvements to existing wells, as more particularly set forth in Exhibit "B" attached to the supplemental petition in the above entitled matter filed October 16, 1920; and

Whereas, applicant believes that it is to its advantage to use the proceeds from the sale of the stock rather than moneys obtained through the negotiation of new loans to pay for the necessary extensions, additions and betterments, and therefore asks permission to use the $7,840 obtained from the sale of stock and any additional proceeds from stock sales for that purpose; and

The Commission being of the opinion that applicant's request is reasonable and should be granted; now, therefore,

It is hereby ordered, that the order in Decision No. 7605, dated May 24, 1920, be and it is hereby modified so as to permit Claremont Domestic Water Company to use the proceeds obtained from the sale of stock, not heretofore used to pay indebtedness, to pay in part the cost of extensions, additions and betterments described in Exhibit "B" attached to the supplemental petition filed in the above entitled matter on October 16, 1920.

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It is hereby further ordered, that the order in Decision No. 7605, dated May 24, 1920, shall remain in full force and effect, except as modified by this first supplemental order.

Dated at San Francisco, California, this sixteenth day of October, 1920.

DECISION No. 8264.

IN THE MATTER OF THE APPLICATION OF SAN JOAQUIN LIGHT AND POWER CORPORATION FOR AN ORDER AUTHORIZING THE EXECUTION OF A COLLATERAL TRUST AGREEMENT, THE ISSUE AND SALE OF $2,625,000 OF COLLATERAL TRUST BONDS AND THE ISSUE OF $2,625,000 OF FIRST AND REFUNDING BONDS.

Application No. 6146.

Decided October 21, 1920.

Jared Howe and *Murray Bourne*, for Applicant.

EDGERTON, *Commissioner*.

OPINION.

In this application, as amended, San Joaquin Light and Power Corporation asks permission to execute a collateral trust agreement securing the payment of an authorized issue of $5,000,000 fifteen-year 8 per cent convertible collateral trust bonds; to issue and sell $2,625,000 of the bonds at not less than 93 per cent of their face value, plus accrued interest, and use the proceeds to pay current indebtedness, and to issue and deposit $2,625,000 of its Series "C" 6 per cent first and refunding bonds, due August 1, 1950, to secure the payment of the $2,625,000 of 8 per cent convertible collateral trust bonds.

During the current year applicant has completed the installation of an additional electrical generating unit at its steam plant in Bakersfield and has completed the Kerckhoff hydroelectric generating plant. The former has a generating capacity of approximately 17,000 horsepower and the latter of 40,000 horsepower.

Applicant reports that it has expended $3,050,738.24 for plant extensions, additions and betterments, against which it has issued no stock, bonds or notes under authority granted by the Commission.

In Exhibit No. 2 applicant reports its current liabilities at $4,726,669.83, which includes $3,019,336.84 of notes payable.

To complete the Kerckhoff power plant and the additional generating unit at Bakersfield, as well as to construct necessary extensions, additions and betterments, the company during the past few months has found it necessary to issue large amounts of short-term notes and incur open account indebtedness.

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Applicant has made arrangements for the sale of $2,625,000 of its 8 per cent convertible collateral trust bonds, and asks permission to use the proceeds to pay current indebtedness. The order herein will permit the company to pay such current indebtedness as was incurred in connection with or for the purpose of constructing plant extensions, additions and betterments.

Applicant has not filed with the Commission a copy of the collateral trust agreement defining the terms and conditions under which the convertible trust bonds are to be issued. The authority herein granted will not become effective until the Commission has, by supplemental order, authorized the company to execute the collateral trust agreement.

I herewith submit the following form of order:

ORDER.

San Joaquin Light and Power Corporation, having applied to the Railroad Commission for permission to execute a collateral trust agreement; to issue and sell $2,625,000 of fifteen-year 8 per cent convertible collateral trust bonds and to issue $2,625,000 of Series "C" 6 per cent first and refunding bonds, a public hearing having been held, and the Railroad Commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required for the purpose or purposes specified in this order and that the expenditures for such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income;

It is hereby ordered, that San Joaquin Light and Power Corporation be and it is hereby authorized to issue and sell for cash at not less than 93 per cent of their face value, plus accrued interest, $2,625,000 of Series "D" fifteen-year 8 per cent convertible collateral trust bonds, and refund said bonds through the issue of Series "C" 6 per cent first and refunding bonds upon such terms as the Commission may authorize in a supplemental order herein.

It is hereby further ordered, that San Joaquin Light and Power Corporation be and it is hereby authorized to issue and deposit as collateral to secure the payment of the $2,625,000 of Series "D" 8 per cent convertible collateral trust bonds, $2,625,000 of Series "C" 6 per cent first and refunding bonds.

The authority herein granted is subject to further conditions as follows:

1. None of the 8 per cent convertible collateral trust bonds shall be issued and delivered until this Commission has, by supplemental order, approved the collateral trust agreement securing the payment

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of the bonds and defining the terms and conditions under which said bonds will be issued.

2. The proceeds obtained from the sale of the 8 per cent convertible collateral trust bonds may be used by San Joaquin Light and Power Corporation to pay notes issued and current indebtedness incurred in connection with the construction of the additional electrical generating unit at the company's Bakersfield steam plant, the Kerckhoff hydro-electric generating plant and plant extensions, additions and betterments, to which reference is made in Exhibit No. 1 attached to the original petition herein.

3. For each $1,000 8 per cent convertible collateral trust bond paid by applicant, $1,000 of its Series "C" first and refunding 6 per cent bonds, herein authorized to be deposited as collateral, shall be returned to applicant's treasury and thereafter issued only as authorized by the Commission.

4. San Joaquin Light and Power Corporation shall keep such record of the issue, sale and deposit of the bonds herein authorized and of the disposition of the proceeds as will enable it to file, on or before the twenty-fifth day of each month, a verified report, as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

5. The authority herein granted will not become effective until applicant has paid the fee prescribed in the Public Utilities Act.

6. The authority herein granted will apply only to such 8 per cent convertible collateral trust bonds as may be issued and sold on or before March 1, 1921.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-first day of October, 1920.

DECISION NO. 8274.

IN THE MATTER OF THE APPLICATION OF A. J. MARTIN TO DISCONTINUE SERVICE OF IRRIGATION WATER.

Application No. 5826.

Decided October 25, 1920.

R. B. Bidwell, for Applicant.

R. T. Walters and *C. S. Mank*, for Eva Anderson and James Schimmel, protestants.

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MARTIN, *Commissioner.*

OPINION.

A. J. Martin, applicant herein, is the owner of a water system furnishing water for irrigation purposes to a small number of consumers near Baldwin Park, California.

Applicant alleges that, because of a business occupation which requires his presence elsewhere, he is unable to devote the time necessary to the operation of the water system. He further alleges that there are other wells in the vicinity of his well from which any or all of his consumers can obtain a water supply sufficient for their needs, and further, that from March 9, 1919, to March 7, 1920, the plant in question was operated approximately 479 hours, from which the total revenue was $957.10, while the cost of maintenance and operation for the same period was $1,106.97. Wherefore, for these reasons applicant asks that the Railroad Commission authorize him to discontinue service as a public utility.

A public hearing was held in this matter, and the evidence shows that applicant is the owner of a forty-acre tract of land and that he has developed the water system in question for the purpose of irrigating this land. However, as applicant has not required all of the water for his own uses, he has from time to time supplied water to his neighbors for the irrigation of their lands. In 1920 applicant operated his pump for the irrigation of lands other than his own a total of only 19 hours, and the area irrigated was only 4.5 acres. This amount of business is negligible from the standpoint of public utility operation and it does not seem just to require applicant to continue the operation of his plant on this basis. On the other hand, the Commission does not desire to impose any hardship upon those consumers of water who have heretofore been supplied through this system. It does not appear that it is difficult to develop water in this territory, and moreover the testimony indicates that other sources of water supply are already available to the consumers. After a careful consideration of all the evidence submitted, I am of the opinion that it is fair to all concerned to authorize applicant to discontinue service as a public utility on and after May 1, 1921.

ORDER.

A. J. Martin having made application to the Railroad Commission, as entitled above, for permission to discontinue the service of water for irrigation purposes as a public utility, a public hearing having been held and the Commission being fully apprised in the premises:

It is hereby found as a fact that public convenience and necessity do not require applicant to continue service as a public utility after May 1, 1921.

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And basing its order on the foregoing finding of fact and on the other statements of fact contained in the opinion which precedes this order;

It is hereby ordered, that A. J. Martin be and he is hereby authorized to discontinue service of water to consumers on and after May 1, 1921, on the following conditions:

1. Within ten (10) days of the date of this order, applicant herein shall notify each consumer who is now receiving public utility service, or who has heretofore received such service from applicant, that on and after May 1, 1921, such service will be discontinued as authorized herein.

2. Within thirty (30) days from the date of this order applicant shall file proof with this Commission that all consumers have been notified as outlined above, including in said statement the name and address of each consumer so notified.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-fifth day of October, 1920.

DECISION NO. 8277.

IN THE MATTER OF THE APPLICATION OF WM. LAMPERT AND J. R. GARRETT COMPANY FOR AUTHORITY TO INCREASE AND ADJUST WAREHOUSE RATES AT MARYSVILLE.

Application No. 5820.

Decided October 25, 1920.

Richard Belcher, for Applicants.

BY THE COMMISSION.

ORDER.

William Lampert, an individual warehouseman, and J. R. Garrett Company, a corporation, having applied to the Railroad Commission for authority to increase and adjust warehouse rates at their respective warehouses located in the city of Marysville, the proposed rates bringing about both increases and decreases, and having shown that operating costs have increased fifty (50) per cent or more since the existing rate schedules were filed;

And it appearing to the Commission that the changes proposed are justified by the facts and will not result in unreasonable or discriminatory rates;

And it appearing further that a public hearing in this case is not necessary;

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It is hereby ordered, that William Lampert and J. R. Garrett Company be and they are hereby authorized to establish and file with this Commission, effective five days thereafter, rate schedules showing charges for warehouse service as follows:

Storage Rates.

Almonds—For one month or less	$0.80 per ton
Over one month and including August 31	1.00 per ton
Beans—For two months or less	1.00 per ton
Over two months and including August 31	1.25 per ton
Grain—For two months or less	.80 per ton
Over two months and including May 31	1.50 per ton
Rice—Ordinary piling, first month	.80 per ton
Over first month and to September 30	1.25 per ton
Corduroy piling, first month	1.30 per ton
Corduroy piling, over first month September 30	1.75 per ton
Wool—For one month or less	.50 per bale
For each month thereafter	.25 per bale
Onions and Potatoes—For one month or less	.05 per sack
Over one month and including August 31 following	.07½ per sack
For services of shipping through warehouse	.54 per ton
For services of rehandling commodities in warehouse	.50 per ton
Loading charges	.36 per ton
Unloading charges	.30 per ton

Dated at San Francisco, California, this twenty-fifth day of October, 1920.

DECISION NO. 8278.

IN THE MATTER OF THE APPLICATION OF OCEAN SHORE RAILROAD COMPANY FOR AN ORDER PERMITTING IT TO DISCONTINUE OPERATING ITS LINE OF RAILROAD BETWEEN SANTA CRUZ, CALIFORNIA, AND SWANTON, CALIFORNIA, AND TO REMOVE ITS TRACK AND ALL APPURTENANCES THERETO CONSTITUTING THE SAID LINE OF RAILROAD.

Application No. 5663.

Decided October 25, 1920.

J. W. Crosby, for Applicant.

Harry A. Encell and *Charles B. Younger*, for San Vicente Lumber Company, protestant.

BY THE COMMISSION.

OPINION.

Ocean Shore Railroad Company, a corporation, has petitioned the Railroad Commission for an order authorizing it to discontinue the operation of its line of railroad between Santa Cruz and Swanton and to remove its track and all appurtenances thereto.

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A public hearing on this application was conducted by Examiner Handford at Santa Cruz, at which time the matter was duly submitted and is now ready for decision.

The portion of line proposed to be abandoned constitutes the so-called southern division of the Ocean Shore Railroad Company commencing in the city of Santa Cruz and extending thence northerly along the ocean shore to Swanton in Santa Cruz County, a distance of fifteen and one-half miles. Practically all of the revenue derived from the operation of the railroad has accrued from the hauling of logs for the San Vicente Lumber Company, such logs being delivered to the line of the Ocean Shore Railroad Company and hauled thence to the mill of the San Vicente Lumber Company located near Santa Cruz.

A statement of the operating receipts and revenues for the calendar years of 1917 to 1919 inclusive is as follows:

	1917	1918	1919
Operating receipts	$27,469 72	$21,071 93	$23,951 12
Operating expenses	27,051 65	31,292 58	33,396 43
	$418 07	*$10,220 65	*$9,445 31

* Indicates deficit.

For the five months ending May 31, 1920, against an operating revenue of $9,030.62, the operating expenses, including taxes, amount to $14,391.81, or a net operating loss of $5,361.19. At the hearing on this application a protest was entered by the San Vicente Lumber Company, such company having been practically the only shipper using the facilities of this applicant. Since the hearing, however, the protest against the proposed abandonment has been withdrawn by that company.

It is evident that the revenue derived from the operation of the southern division of the Ocean Shore Railroad Company has not been sufficient to defray the cost of operation or to return any interest on the investment, and there is no prospect that the revenues of the company will be increased to a point sufficient to meet the costs of operation, fixed charges and return any interest on the capital invested. No protest appears against the proposed abandonment of service and the application should be granted.

ORDER.

Ocean Shore Railroad Company, a corporation, having applied to the Railroad Commission for an order authorizing the abandonment of service and the removal of tracks and appurtenances on the portion of its line of railroad extending from Santa Cruz to Swanton, Santa Cruz County; a public hearing having been held, the matter having been duly submitted and the Commission being fully advised;

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It is hereby ordered, that applicant be and it hereby is authorized to discontinue permanently its service as a common carrier between Santa Cruz and Swanton; and

It is hereby further ordered, that, in so far as the authority of this Commission is necessary to authorize said applicant to dismantle and dispose of its said property, such authority is hereby given.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-fifth day of October, 1920.

DECISION NO. 8279.

IN THE MATTER OF THE APPLICATION OF KERN COUNTY TRANSPORTATION COMPANY TO ISSUE STOCK.

Application No. 5919.

Decided October 25, 1920.

Alfred Siemon, for Applicant.

BY THE COMMISSION.

OPINION.

Applicant applies for authority to issue $36,000 in stock at par to its directors in return for that amount of cash advanced by them for the purchase of the equipment and rights of the Western Auto Stage Company, which operated a passenger stage line between Bakersfield and Taft.

A public hearing was held upon the application by Examiner Westover at Bakersfield.

The property in question was acquired by authority of Decision No. 7089 of February 5, 1920, upon Application No. 5311.

The testimony shows that in the negotiation between the parties the sellers demanded a lump sum of $40,000, but finally accepted a lump sum of $36,000; that there was no detailed inventory agreed upon by the parties, but that the purchasers, in making the offer, considered the operative rights worth about $6,000.

The Western Auto Stage Company operated for many years prior to May 1, 1917, and therefore was not obliged to apply to the Commission for certificate of public convenience and necessity nor to the local authorities for permits as required by the Statutes of 1917. It therefore incurred no expense in obtaining the operative rights which it enjoys.

Section 52 of the Public Utilities Act prohibits the capitalization of a franchise or permit in excess of the amount actually paid therefor

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to the state or a political subdivision thereof. We therefore authorize the issuance of $30,000 of stock at par. The testimony shows that this is satisfactory to applicant.

ORDER.

A public hearing having been held upon the above entitled application, the matter being submitted and the Commission being fully advised in the premises;

It is hereby ordered, that Kern County Transportation Company be and it is hereby authorized to issue $30,000 of its capital stock at par, one-fourth thereof to R. C. Dear and wife, one-fourth thereof to Peter Gilli, one-fourth to Cyril C. Haworth and W. T. Mattly in return for $30,000 in cash paid by them to applicant for capital stock and by applicant paid for the tangible property described in bill of sale and conveyance from Western Auto Stage Company to R. C. Dear and others, dated January 16, 1920, copy of which is attached as an exhibit to the above described Application No. 5919, original of which was introduced in evidence as applicant's Exhibit I.

The authority herein contained is granted upon the following conditions:

1. Nothing herein contained shall be construed as a finding of the value of the property so acquired for any purposes other than the purpose of this application.

2. This authority shall extend only to stock issued within ninety (90) days after the date hereof.

3. Within ten (10) days after issuance of said stock applicant shall make verified report to the Commission as required by the Commission in its General Order No. 2, which order, in so far as applicable, is made a part hereof.

Dated at San Francisco, California, this twenty-fifth day of October, 1920.

DECISION No. 8281.

IN THE MATTER OF THE APPLICATION OF RIVERBEND GAS AND WATER COMPANY, FOR AN ORDER AUTHORIZING AN INCREASE IN GAS RATES.

Application No. 6079.

Decided October 25, 1920.

GAS RATES—SERVICE CONDITIONS—INEFFICIENT OPERATING METHODS.—In establishing a revised schedule of rates for applicant which is estimated to provide, in addition to operating expenses, taxes and depreciation, a return of approximately 5 per cent, attention is called to the fact that applicant's operations are not conducted in an efficient manner and that by the introduction of improved production methods a considerable saving can be made in operating expenses which will reflect a higher return upon the investment. Attention

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is also called to the fact that applicant is not producing gas in accordance with the standards adopted by the Commission and the right is reserved to modify the present order unless such service standards are observed.

Chaffee E. Hall, for Applicant.

BY THE COMMISSION.

OPINION.

In this application the Riverbend Gas and Water Company, hereinafter referred to as applicant, asks for further increase in its gas rates. The present rates were established by Decision No. 7745 and became effective June 21, 1920, in all territory except Kingsburg, where the increase was not effective until July 3, 1920, by Decision No. 7951 of the Commission.

The applicant alleges that these rates are inadequate and do not provide sufficient revenue to pay operating expenses, taxes and depreciation. Applicant states that the price of oil has been further increased, so that during the twelve-month period ending June 30, 1921, it will sustain a loss of more than $7,000 even though no other advances in the cost of oil occur. Applicant requests that it be authorized to charge and collect a rate sufficient to earn operating expenses, including the cost of oil, taxes and depreciation, and also a return of 8 per cent per annum upon the cost of its properties.

A hearing was held at Dinuba before Examiner Westover, at which time evidence was introduced and the matter submitted.

Applicant manufactures gas at its plant in Dinuba and distributes it to about 1400 consumers located in Dinuba, Reedley, Parlier and Kingsburg. The value of the property, as established in Decision No. 6560, with additions to January 1, 1920, is as follows:

Table No. 1.

Riverbend Gas and Water Company (Gas Properties) Valuation January 1, 1920.

Landed capital	$1,457 00
Production capital	43,022 00
Transmission capital	51,765 00
Distribution capital	85,819 00
General capital	25,255 00
Total	$207,318 00

Applicant reports $18,045 plant betterments made during the first six months of 1920 and $16,450 additional to be installed in the second six months, making a total of $34,495 additional capital for this year. Adding a reasonable allowance for working cash capital and materials and supplies brings the total capital to $260,000.

During the year ending June 30, 1920, applicant sold 44,278,000 cubic feet of gas to 1334 consumers, from which a gross revenue of $76,284 was obtained. In the manufacture of this gas 16,924 barrels

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of oil were used at an average cost of $1.80 per barrel. Operating expenses incurred during this period were as follows:

Production expense, other than oil	$22,553 00
Production expense, oil	30,543 00
Distribution expense	7,047 00
Commercial expense	6,517 00
General expense	7,241 00
Depreciation	5,691 00
Taxes	4,722 00
Total	$84,314 00

Although applicant received several increases in rates during this period, the income from which is reflected in its revenues, there was, nevertheless, a deficit of $8,030 in its operations.

During the year ending June 30, 1920, production expenses, exclusive of oil, were abnormally high. At the present time these expenses have been reduced and there is every possibility of further reduction through more efficient operation. Applicant's expenses are still considerably higher than those of other companies in this state of same size and character of business.

From the evidence herein it appears that applicant's gas operations for the year ending June 30, 1921, will aggregate in sales 48,000,000 cubic feet of gas, in the manufacture of which 18,300 barrels of oil will be required at a price not less than $2.35 per barrel. If applicant's present rates continue in effect the revenue to be derived will be $100,320 for the year. Applicant's oil cost will be at least $43,000 per annum, and its total operating expenses, including oil, taxes and depreciation, will amount to $98,620. This does not contemplate reaching a condition of entirely efficient operations, and by properly directed efforts on the part of applicant's management, these expenses can be reduced. If the present rates were to continue, it is apparent that applicant's net will not be more than $1,700, which is a return of less than 1 per cent upon its valuation. The necessity for increased rates at this time lies largely in the advances in the cost of oil used in gas manufacture.

The rates hereinafter established are designed to permit applicant to absorb its increased costs of oil and to earn the return to which it is entitled under present operating conditions. These rates are less than the schedule proposed by applicant and will produce an estimated gross revenue of $113,000 per annum, which, after the deduction of operating expenses, taxes and depreciation, will leave a net income of $13,000, or a return of slightly in excess of 5 per cent upon invested capital.

Applicant asks that it be granted rates which will give an 8 per cent return. This might be a proper request if applicant's operations

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were efficiently conducted, but under present conditions it can not expect its consumers to pay for such increased expenses as can be corrected by improved methods of operation. The operating expenses herein considered are subject to reduction by more careful management on the part of applicant, and the savings to be thus derived will be sufficient to increase applicant's rate of return several per cent upon the valuation hereinbefore set forth.

Contrary to repeated warnings by this Commission, applicant has not maintained the quality of its gas, nor has it made provision for carrying out our requirements in the matter of routine pressure tests, nor are its records kept in proper shape. We shall insist upon the observance of our gas service standards, and accordingly reserve the right to modify the order herein, unless applicant shall observe the prescribed standards.

ORDER.

Riverbend Gas and Water Company having applied to the Railroad Commission for authority to increase its rates and charges for gas, a public hearing having been held, the matter submitted and being now ready for decision:

The Railroad Commission of the State of California hereby finds as a fact that the rates charged for gas by the Riverbend Gas and Water Company are not fair and reasonable rates, in so far as they do not provide sufficient revenue under present conditions, and in so far as they differ from the rates hereinafter established, which are found to be just and reasonable rates.

Basing its order on the foregoing findings of fact and on the other findings of fact contained in the opinion which precedes this order:

It is hereby ordered, that Riverbend Gas and Water Company be and it is hereby authorized to charge and collect the following rates for gas, effective for all regular meter readings taken on and after the twenty-sixth day of October, 1920:

Schedule of Rates.

	Gross	Net
First 400 cubic feet per meter per month or less	$1 35	$1 25
Next 3,600 cubic feet per meter per month	2 30	2 20 per M cu. ft.
Next 6,000 cubic feet per meter per month	2 00	1 90 per M cu. ft.
Next 15,000 cubic feet per meter per month		1 70 per M cu. ft.
All over 25,000 cubic feet per meter per month		1 50 per M cu. ft.

The net rate shall be effective if bills are paid within ten (10) days after the first of the month following each meter reading date.

Provided, Riverbend Gas and Water Company shall, within ten (10) days of the date of this order, file with the Railroad Commission the schedule of rates herein established.

Dated at San Francisco, California, this twenty-fifth day of October, 1920.

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DECISION NO. 8282.

IN THE MATTER OF THE APPLICATION OF MOORPARK FARMERS WATER COMPANY, A CORPORATION, FOR ORDER AUTHORIZING ISSUE OF STOCK AND BONDS.

Application No. 5210.

(Supplemental.)

Decided October 25, 1920.

Darley & Downes, by *W. Mark Darley*, for Applicant.

R. L. Horton, for bondholders of Moorpark Mutual Water Company.

BY THE COMMISSION.

FIRST SUPPLEMENTAL OPINION.

On May 10, 1920, by Decision No. 7543, the Railroad Commission authorized Moorpark Farmers Water Company to issue on or before November 1, 1920, $20,000 of stock, $40,000 of bonds and execute a mortgage. Applicant in a supplemental application, filed August 23, reports that it was unable to sell the bonds and therefore not in a position to carry out its former plans.

In its supplemental application, applicant asks permission to issue $20,000 of stock, and $25,000 of bonds, $3,000 of notes and execute a mortgage.

A hearing was had on the supplemental application on October 14 before Examiner Westover at Los Angeles.

Moorpark Mutual Water Company, as more particularly set forth in Decision No. 7543, is engaged in selling water to stockholders only. This company reports $25,000 of 6 per cent serial bonds and $3,000 of notes outstanding. Bonds in the amount of $5,000 have matured and remain unpaid. The company intends to sell its properties to the Moorpark Farmers Water Company, a public utility. The bondholders of Moorpark Mutual Water Company have agreed to accept in payment for their bonds $25,000 of Moorpark Farmers Water Company 7 per cent serial bonds at par. The holders of the $3,000 of notes have likewise agreed to accept $3,000 of notes of the new company, payable in three equal annual installments.

Since the Commission's former decision in this matter, Charles T. Howland has expended $11,837 to install, equip and acquire three wells with necessary casing, two 15-horse power motors, two pumps, two carloads of cement, 550 feet of 12-inch pipe with fittings and valves. To finally complete the work it may cost about $100 more. The installation of the wells was necessary and was undertaken by Mr. Howland because of the company's inability to secure the necessary moneys. It was originally planned to pay for these improvements through the sale of bonds, but Mr. Howland has agreed to accept in payment for

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the wells and equipment and for advances made by him, stock of the Moorpark Farmers Water Company at par. Applicant asks permission to issue approximately $12,000 of stock to Mr. Howland on account of above expenditures, and in addition, issue and sell $8,000 of stock at par and use $5,000 of the proceeds to retire a like amount of bonds, and $1,000 to pay the first installment on the note which applicant asks permission to issue. The remaining $2,000 applicant would use for paying accrued interest and for working capital and improvements. Through the issue of the stock, the company will reduce its debt immediately from $28,000 to $22,000.

FIRST SUPPLEMENTAL ORDER.

Moorpark Farmers Water Company having applied to the Railroad Commission for permission to issue $25,000 of bonds, $20,000 of stock, $3,000 of notes and to execute a mortgage, a public hearing having been held thereon and the Railroad Commission being of the opinion that the money, property or labor to be procured or paid for by the issue of the bonds, stock and notes herein authorized is reasonably required for the purpose set forth in this order and that this application should be granted subject to the conditions of this order;

It is hereby ordered, that Moorpark Farmers Water Company be and it is hereby authorized to execute a mortgage substantially in the same form as the mortgage attached to the supplemental petition herein, filed August 23, 1920.

It is hereby further ordered, that Moorpark Farmers Water Company be and it is hereby authorized to issue $20,000 of common stock, $25,000 of 7 per cent serial bonds and $3,000 of serial notes, the authority herein granted to execute said mortgage and to issue said stock, bonds and notes being in lieu of the authority heretofore granted in the order in Decision No. 7543, dated May 10, 1920.

The Railroad Commission hereby declares that public convenience and necessity will require applicant to operate the water system described in the petition herein.

The authority herein granted is subject to further conditions as follows:

1. Of the stock herein authorized to be issued, not exceeding $12,000 may be delivered to Charles T. Howland in payment for the wells and equipment installed and acquired by him or for the liquidation of advances, and referred to in the supplemental application herein. The remainder of the stock shall be sold at par and $5,000 of the proceeds used to pay bonds, $1,000 to pay the first installment of the $3,000 note herein authorized to be issued and the remainder to pay accrued interest, to pay for improvements and provide necessary working capital.

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2. The bonds and notes herein authorized to be issued shall be issued for the purpose of paying or refunding the $25,000 of outstanding bonds of the Moorpark Mutual Water Company and the $3,000 of outstanding notes of said Moorpark Mutual Water Company.

3. The authority herein granted to issue stock, bonds and notes shall not be urged before this Commission, or other public body having jurisdiction, as a finding of value of the property referred to herein for the purpose of determining rates or for any purpose other than the purposes of this proceeding.

4. The approval herein given of said mortgage is for the purpose of this proceeding only and an approval in so far as this Commission has jurisdiction under the terms of the Public Utilities Act, and is not intended as an approval of said mortgage as to such other legal requirements to which such mortgage may be subject.

5. Moorpark Farmers Water Company shall keep such record of the issue and sale of the stock and bonds herein authorized and of the disposition of the proceeds as will enable it to file, on or before the twenty-fifth day of each month, a verified report, as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

6. The authority herein granted will apply only to such stock, bonds and notes as may be issued on or before February 1, 1921.

It is hereby further ordered, that Moorpark Farmers Water Company be and it is hereby authorized, through the issue of the stock, bonds and notes herein permitted, to acquire from Moorpark Mutual Water Company and Charles T. Howland the properties referred to in the supplemental application herein.

Dated at San Francisco, California, this twenty-fifth day of October, 1920.

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Decision No. 8284.

IN THE MATTER OF THE APPLICATION OF JAMES A. MURRAY, WM. G. HENSHAW AND ED FLETCHER, COPARTNERS DOING BUSINESS UNDER THE NAME AND STYLE OF THE CUYAMACA WATER COMPANY, FOR AN ORDER AUTHORIZING AND PERMITTING AN INCREASE IN THE RENTALS, TOLLS AND CHARGES FOR WATER FURNISHED BY THEM AND SERVICE RENDERED BY THEM IN FURNISHING WATER IN THE COUNTY OF SAN DIEGO.

Application No. 4515.

IN THE MATTER OF THE APPLICATION OF JAMES A. MURRAY, WM. G. HENSHAW AND ED FLETCHER, DOING BUSINESS UNDER THE FIRM NAME AND STYLE OF THE CUYAMACA WATER COMPANY, FOR AN ORDER AUTHORIZING AND PERMITTING THEM TO PLACE A SURCHARGE UPON THEIR PRESENT RENTALS, TOLLS AND CHARGES FOR WATER FURNISHED BY THEM, SUCH SURCHARGE BEING NECESSARY ON ACCOUNT OF THE INCREASED COST OF OPERATION.

Application No. 4670.

ROBERT ROSS ET AL.
vs.
JAMES A. MURRAY, ET AL.

Case No. 1272.

Decided October 25, 1920.

WATER SERVICE—RATE INCREASES—IMPROVEMENTS CONDITIONED UPON.—The Commission having heretofore authorized applicants to establish an increased schedule of rates conditioned upon the filing, within twenty days, of a comprehensive plan for the improvement of its transmission flume, and applicant having failed to file such plan or ask for an extension of time in which to file the same, prior order is suspended until further order of the Commission.

BY THE COMMISSION.

FIRST SUPPLEMENTAL ORDER.

Whereas, the Railroad Commission, by its decision and order herein made on September 24, 1920, established and set forth a certain schedule of rates which applicants, James A. Murray, William G. Henshaw and Ed Fletcher, were authorized to file with this Commission within twenty (20) days from the date of said order, said rates to be effective for all bills rendered for the Cuyamaca Water Company subsequent to September 1, 1920; and,

Whereas, the said decision and order of this Commission further sets forth a condition in the words and figures as follows, to wit:

It is hereby further ordered, that the rate schedule established above is expressly conditioned upon the filing by James A. Murray, William G. Henshaw and Ed Fletcher, within twenty (20) days of the date of this order, of a comprehensive plan for the reconstruction of the thirty-three-mile wooden transmission flume extending from the diversion dam to Eucalyptus Reservoir.

And,

Whereas, more than twenty (20) days have elapsed since the date of said order, and the applicants therein named have not filed a com-

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prehensive plan, or any plan, for the reconstruction of the wooden transmission flume as therein provided, and no application having been made to this Commission for an extension of time within which to file such comprehensive plan, or for a modification of said order in any respect relating thereto; now, therefore,

It is hereby ordered, that the decision and order of the Railroad Commission herein made on September 24, 1920, be and the same is suspended by reason of noncompliance with the conditions therein named, and that Cuyamaca Water Company, James A. Murray, William G. Henshaw and Ed Fletcher desist from further charging, receiving or collecting the rates authorized by the terms thereof until the further order of the Commission herein.

Dated at San Francisco, California, this twenty-fifth day of October, 1920.

DECISION NO. 8285.

IN THE MATTER OF THE APPLICATION OF THE AMERICAN TRANSFER AUTO DELIVERY, THE LONG BEACH TRANSFER AND WAREHOUSE COMPANY AND THE UNION TRANSFER COMPANY, EACH OF LONG BEACH, CALIFORNIA, FOR PERMISSION TO ADVANCE ALL FREIGHT, EXPRESS AND BAGGAGE RATES BETWEEN LOS ANGELES, CALIFORNIA, AND LONG BEACH, CALIFORNIA.

Application No. 5815.

Decided October 25, 1920.

AUTO TRANSPORTATION LINES—RATE INCREASES—SHOWING REQUIRED FOR.—Applicants for increases in rates should be able to show by proper records, even if kept for only brief periods, what portions of their revenues and expenses arise from operations as transportation companies as defined by law and actual unit costs of transportation, as well as the effect upon revenue of putting into effect the rates applied for. Failure to make such showing in support of applications to increase rates can only result in a denial of such petitions.

Harry N. Blair, for The American Transfer Auto Delivery.

Lewis A. Monroe, for The Long Beach Transfer and Warehouse Company and The Union Transfer Company.

R. C. Gortner, for Pacific Electric Railway Company.

BY THE COMMISSION.

OPINION.

Each of the applicants above named is engaged in the business of transporting freight by auto truck between Los Angeles and Long Beach and is also engaged in the business of local draying, transferring and warehousing in the city of Long Beach. They apply herein for increases in rates on freight between Los Angeles and Long Beach only.

A public hearing upon the application was held by Examiner Westover at Los Angeles.

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At the hearing each asked authority to establish the same rates as were authorized by the Commission by its Decision No. 8037, Application No. 5744, for Thos. Richards Express, serving the same territory.

To justify increases sought, each applicant presented figures showing its revenues and expenses under present rates.

The American Transfer Auto Delivery submitted an exhibit showing total revenue and operating expenses for the year ending July 1, 1920, covering all business done and the cost of its equipment. This it has segregated in the exhibit between its business as a common carrier for hire between Los Angeles and Long Beach and its drayage, transfer and warehouse business in Long Beach, on a percentage of revenue basis. It shows 67.73 per cent of its revenue to be derived from the interurban business affected by the application and therefore assigns to the business in question equipment valued at $12,471.12 of a total value of $18,413. Gross earned revenue for this year from all sources was $36,480.64, with disbursements of $30,308.42, including depreciation of 2 per cent per month, but not including salaries of partners, Wm. T. Hudson and L. C. Hudson, who devote all their time to the business. Included in the above disbursement is an item of $8,116.20, evidently capital invested in equipment, which should be deducted. This would leave disbursements shown as operating expenses $22,192.22 for the year, or a net operating revenue of $14,288.42, after liberal allowance for depreciation, which may prove to be larger than necessary. The net revenue from the interurban business, amounting to 67.73 per cent (of which 34.87 per cent represents baggage), would thus amount to $9,678.23.

The Long Beach Transfer and Warehouse Company has kept its accounts in such manner that it can not accurately segregate its interurban revenue and expenses, but estimates these at 25 per cent of its total. It submitted an exhibit showing its estimated interurban revenue and expenses by months for the year ended April 30, 1920. This shows revenue at $16,300 and operating expenses at $18,838; depreciation at 2½ per cent a month (including tires), $1,200; and return on investment $320. These total $20,358, or a deficit of $4,050. It has 11 trucks in all, and two trucks and a trailer of the estimated value of $4,000 are used in its interurban business.

Union Transfer Company submitted its application upon statement previously made to the Commission for 1919, showing gross revenue from its express business of $14,547.13 with disbursements of $12,396.66, including depreciation of $3,500, although its trucks and shop equipment are valued at $6,925. This statement was not available at the hearing and the depreciation item is not explained. It is noted also that disbursements therein do not show any salaries

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paid, and "clerical and office expenses" are stated at $27.75. Subsequent detailed verified statement was therefore requested and this, long delayed by illness, has just been received. It shows for the year ending June 30, 1920, gross revenue of $16,503.57, and operating expenses, $13,716.14, with $1,691.16 for depreciation at 25 per cent. These all total $16,090.85, or $412.72 more than sufficient to provide operating expenses, depreciation, and applicants' claim of a fair return. Applicant estimates that about 40 per cent of its total business covered by above statements is interurban, and would be affected by the rates requested.

It appears from the showing made that the owners of the American Transfer Auto Delivery and Union Transfer Company are not in need of financial relief through increase in rates. Long Beach Transfer and Warehouse Company may be in need of relief, but the figures submitted are mere approximations and are not satisfactory proof that its rates should be increased. Neither of the applicants showed what the effect upon revenue would be if the application to increase rates were granted. There was considerable testimony relating to increases in various items of cost of operation, such as wages and gasoline, and we are aware that some of these increases have occurred since periods covered by the exhibits.

Applicants for increases in rates should be able to show by proper records, even if kept for only brief periods, what portions of their revenue and expenses arise from operations as "transportation companies" as defined by the act and actual unit costs of transportation, as well as the effect upon revenue of putting into effect the rates applied for. Denial of application will be without prejudice to right of Union Transfer Company to renew its application when proper showing can be made.

ORDER.

The American Transfer Auto Delivery, The Long Beach Transfer and Warehouse Company and The Union Transfer Company having applied for authority to increase rates, a public hearing having been held upon the application, and it appearing for the reasons above stated that applicants failed to justify the increases sought;

It is hereby ordered, that the application be and it is hereby denied.

Dated at San Francisco, California, this twenty-fifth day of October, 1920.

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DECISION NO. 8286.

H. P. JONES

vs.

WALKER D. HINES AND SOUTHERN PACIFIC COMPANY.

Case No. 1462.

Decided October 26, 1920.

JURISDICTION—REPARATION—RATES COLLECTED DURING FEDERAL CONTROL OF RAILROADS.—It is held that the Interstate Commerce Commission and not this Commission has jurisdiction to hear and decide claims for reparation filed against the President's agent for the collection of unjust or unreasonable charges, whether interstate or intrastate, during the period of federal control. Complaint seeking reparation on shipments of cattle moving between intrastate points during period of federal control dismissed.

Alexander Gould, for Applicant.

M. A. Cummings and *F. B. Austin*, for Southern Pacific Company.

F. B. Austin, for the Director General of Railroads.

LOVELAND, *Commissioner*.

OPINION.

Complainant, H. P. Jones, a buyer and shipper of live stock, with principal headquarters at Brawley, California, alleges by complaint duly filed that the freight charges collected by defendants for transportation of live stock in carloads moving from Lone Pine to Brawley on April 25, 1918, during the period of federal control, were unreasonable in that they exceeded a rate subsequently published between the same points.

The answer denies the jurisdiction of this Commission, on the plea that the federal government did, on December 28, 1917, assume control of defendants' properties and that Congress enacted laws under which the various states were deprived of the right to exercise jurisdiction over the rates of the carriers and, therefore, authority was declared to rest solely with the federal government.

A public hearing was held at Los Angeles on September 7, 1920. From statements submitted it was shown that the shipments in question actually moved within the period of federal control, during which time it is claimed this Commission had no jurisdiction over the rates or charges. Complainants discussed the jurisdictional points involved, but presented no testimony. Attorneys for defendants, acting upon instructions, declined to introduce testimony, resting their defense upon the denial of this Commission's jurisdiction.

Transportation Act, 1920, reads:

Sec. 2. When used in this Act, the term "Commission" means the Interstate Commerce Commission.

Sec. 206 (a). Complaints praying for reparation on account of damage claimed to have been caused by reason of the collection or enforcement by or through the President during the period of federal control of rates, fares, charges, classifications,

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regulations, or practices (including those applicable to interstate, foreign, or intrastate traffic) which were unjust, unreasonable, unjustly discriminatory, or unduly or unreasonably prejudicial, or otherwise in violation of the Interstate Commerce Act, may be filed with the Commission, within one year after the termination of federal control, against the agent designated by the President under subdivision (a), naming in the petition the railroad or system of transportation against which such complaint would have been brought if such railroad or system had not been under federal control at the time the matter complained of took place. The Commission is hereby given jurisdiction to hear and decide such complaints in the manner provided in the Interstate Commerce Act and all notices and orders in such proceedings shall be served upon the agent designated by the President under subdivision (a).

Under this provision of the act of Congress, it is apparent that the Interstate Commerce Commission and not this Commission has been authorized to hear and decide claims for reparation filed against the President's agent for the collection of unjust or unreasonable charges, whether interstate or intrastate, during the period of federal control.

The Interstate Commerce Commission, in General Docket No. 10836, *George E. Franzen* vs. *The Director General* (58 I. C. C. 213) awarded reparation against intrastate shipments moved between points in Illinois January 1, 1918, to August 23, 1919. In a tentative report of recent date (The Traffic World, August 28, 1920, p. 388), Docket No. 11355, *Central Pennsylvania Lumber Company* vs. *Pennsylvania Railroad Company*, Attorney-Examiner Disque granted reparation on Pennsylvania intrastate shipments moving after the assumption of federal control, and prior to June 26, 1918, the date upon which rates were initiated by the President under General Order No. 28.

Upon careful consideration I am of the opinion this Commission now has no jurisdiction to award reparation against shipments moved by carriers during the period of federal control and, therefore, that this proceeding should be dismissed.

ORDER.

Complaint and answer having been filed in the above entitled proceeding, a public hearing having been held, the Commission being fully apprised in the premises, and basing its order on the findings of fact which appear in the foregoing opinion;

It is hereby ordered, that the same be and it is hereby dismissed.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-sixth day of October, 1920.

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DECISION NO. 8291.

IN THE MATTER OF THE APPLICATION OF PASADENA ELECTRIC EXPRESS COMPANY FOR AN ORDER PERMITTING AN INCREASE IN EXPRESS RATES.

Application No. 6082.

Decided October 28, 1920.

W. H. Archdeacon, for Applicant.

LOVELAND, *Commissioner*.

OPINION.

This is an application by the Pasadena Electric Express Company for authority under section 63 of the Public Utilities Act to increase express rates between Los Angeles, South Pasadena, Alhambra and Pasadena.

The proposed changes are set forth in an exhibit attached to and made a part of the application. The increases amount to approximately 25 per cent, and a segregation has been made providing different charges for pick-up and delivery service as distinguished from service performed at the depots. The rates are in every instance lower than those now being assessed by the American Railway Express Company, operating between the same points.

The Pasadena Electric Express Company was organized June 7, 1919, under the laws of the State of California, and is a reorganization of the Pasadena Electric Express. The company has property consisting of real estate, buildings and equipment having a total purchase value of $57,950.15 and an estimated present value of $69,902.20. All of this property is devoted to the public service and the testimony of a witness was to the effect that the facilities now were inadequate and that it would be necessary in the very near future to secure additional terminal facilities in order to properly and economically handle the traffic.

An exhibit was presented showing the operating revenue, expenses and income deductions and net operating income covering the twelve and one-half months, June 16, 1919, to June 30, 1920. This statement shows that in the months of June, July, August and September, 1919, and the months of February and June, 1920, the revenue was insufficient to meet operating expenses and fixed charges. The total net operating revenue for the twelve and one-half months period was $882.40, or an average of $70.59 per month.

The rates now being assessed have been in effect with but few changes for a number of years during which time it is shown by exhibits and testimony that the wages of employees have been increased forty-four per cent, and the cost of materials has also advanced; gasoline being

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purchased in 1914 for ten and one-half cents per gallon now costs twenty-seven cents per gallon, or an increase of nearly 300 per cent.

Applicant uses cars of the Pacific Electric Railway in moving the express matter between Los Angeles and Pasadena. This charge has been increased within the last few years from an average of $333 per month to $400 per month.

When the original company commenced operations, the business section of the city of Pasadena was comparatively small and the cost of making pick-up and deliveries was correspondingly low. Since the growth of the city, the area over which the trucks operate has been greatly increased, materially adding to the operating costs of this applicant. The testimony also shows that during the past few years gross revenue has materially declined by reason of the privately and publicly owned automobile trucks handling traffic in competition with this applicant.

Acting on instructions from the Commission, applicant notified its principal patrons of the necessity of increasing its rates in order to continue the service. A witness at the hearing stated that there had been no objection from individuals or from the Chambers of Commerce located at the points served but that as a matter of fact the merchants in the different communities were in favor of the increases in rates, they realizing that the applicant could not continue in the business unless additional revenue was secured. One prominent merchant, doing a large business at Pasadena, appeared as a witness for the applicant and urged that the increases be authorized, this on the ground that there was a public necessity for a service at all times dependable and prompt and that the patrons of the company would be seriously damaged if this express service were discontinued.

The general manager of the company stated that there was a necessity for a readjustment of wages of certain employees, thus adding to the operating expenses within the very near future.

It is not necessary to go into the question of valuation and reasonable return in this proceeding for the reason that no dividends have ever been paid by this company and the proposed rates will not produce more than sufficient to meet operating expenses and small return upon the claimed value of the property.

After giving careful consideration of all of the testimony and exhibits introduced in this proceeding, I am of the opinion and find that the present rates are noncompensatory and unreasonable and that a sufficient showing has been made to justify the granting of the application.

ORDER.

The Pasadena Electric Express Company having applied to the Railroad Commission for an order authorizing the increasing of its rates, a

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public hearing having been held, and the Commission being fully apprised in the premises, hereby finds as a fact that the rates now in effect are noncompensatory and unreasonable and that the rates set forth in Exhibit "A" attached to the application are just and reasonable.

It is hereby ordered, that the Pasadena Electric Express Company be authorized to file with this Commission within twenty days from the date of this order tariffs carrying the rates set forth in the application.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-eighth day of October, 1920.

DECISION NO. 8293.

IN THE MATTER OF THE APPLICATION OF ALPAUGH WAREHOUSE AND MILLING COMPANY, A CORPORATION, FOR AN ORDER AUTHORIZING THE ISSUE OF CAPITAL STOCK AS A STOCK DIVIDEND.

Application No. 6215.

Decided October 28, 1920.

STOCK DIVIDENDS—CAPITAL EXPENDITURES MADE FROM INCOME—OUTSTANDING NOTES.—The Commission refuses permission for a utility to issue a stock dividend covering capital expenditures made when such expenditures are represented by outstanding notes and open account indebtedness. Applicant authorized to issue and sell at not less than par, $9,150 face value of its capital stock, the proceeds thereof to be used to discharge outstanding notes and accounts payable.

A. B. Allen, for Applicant.

BY THE COMMISSION.

OPINION.

Alpaugh Warehouse and Milling Company asks permission to issue $9,150 par value (1830 shares) of stock as a stock dividend to its present stockholders in proportion to their respective holdings.

A public hearing was had on this application by Examiner Westover at San Francisco.

Applicant was incorporated on or about February 9, 1915, and is at present engaged in a general warehouse and commission business in Alpaugh, Tulare County. By Decision No. 2925, dated November 2, 1915, the Commission authorized it to issue $850 of stock and a $2,750 note.

Applicant reports $7,130.58 of notes and $4,832.74 of accounts payable. In Exhibit "A" applicant reports the net worth of its business at $10,809.13. This net worth results from its appraisement of its properties. In Exhibit "A," the value of real estate, buildings and equipment is reported at $18,806.96, whereas in Exhibit "B," which

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is based upon the company's books, the real estate, buildings and equipments is reported at $8,871.89, or $9,935.07 less than in Exhibit "A." Because of the alleged net worth of $10,809.13, applicant requests that it be permitted to issue the $9,150 of stock to its stockholders without any consideration other than surplus earnings invested in property. The stockholders have agreed to sell part of the stock and use the moneys to pay the company's indebtedness. Applicant's request to issue stock against net worth arrived at in the manner described will have to be denied for the reason that it does not appear that it has invested surplus earnings in the amount of $9,150 which would warrant the Commission in authorizing the issue of the $9,150 of stock for the purpose of reimbursing applicant's treasury.

It clearly appears, however, that through the issue of notes and by incurring open account indebtedness, it has acquired properties largely in excess of the amount of stock now issued and outstanding. Applicant may properly be permitted to issue $9,150 of stock at not less than par, provided it use the proceeds obtained from the sale of this stock to liquidate notes and accounts payable, one of the other purposes for which the statute authorizes the issuance of stock, and the order herein will so provide.

ORDER.

Alpaugh Warehouse and Milling Company having applied to the Railroad Commission for permission to issue $9,150 of stock, a public hearing having been held, and the Railroad Commission being of the opinion that the money, property or labor to be procured through the issue of such stock is reasonably required by applicant, and that the purposes for which applicant is authorized to expend the proceeds from the sale of the stock are not reasonably chargeable to operating expenses or to income;

It is hereby ordered, that Alpaugh Warehouse and Milling Company be and it is hereby authorized to issue and sell for cash, on or before March 1, 1921, at not less than par, $9,150 of its common capital stock, and use the proceeds to pay notes and accounts payable set forth in Exhibit "B" attached to the petition herein; provided, that Alpaugh Warehouse and Milling Company keep such record of the issue and sale of the stock herein authorized and of the disposition of the proceeds as will enable it to file, on or before the twenty-fifth day of each month, a verified report as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

Dated at San Francisco, California, this twenty-eighth day of October, 1920.

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DECISION NO. 8295.

IN THE MATTER OF THE APPLICATION OF MRS. H. A. VARRO, AS SOLE PROPRIETOR OF LIBERTY STAGE LINE, A TRANSPORTATION COMPANY, TO EXTEND HER LINE FROM NORWALK TO THE NORWALK STATE HOSPITAL.

Application No. 6017.

A. B. WATSON
vs.
MRS. H. A. VARRO.

Case No. 1490.

Decided October 28, 1920.

AUTO STAGES—SERVICE RENDERED BY—CERTIFICATES.—Upon a showing that the service at present being rendered to state hospital at Norwalk does not meet the convenience of the public traveling to said point, and that applicant Varro proposes to render a more convenient service, she is granted a certificate to operate stage service between Norwalk and Norwalk State Hospital and complaint of Watson is dismissed.

W. H. Kidd, for Applicant,
Clyde Bishop, for Protestant.

BY THE COMMISSION.

ORDER.

Mrs. H. A. Varro, doing business under the name of the Liberty Stage Line, has petitioned the Railroad Commission for an order declaring that public convenience and necessity require the operation by her of an automobile stage line as a common carrier of passengers between Norwalk and the Norwalk State Hospital, county of Los Angeles, as an extension of her auto stage line now operating between Los Angeles and Norwalk.

Applicant proposes to charge five cents for one-way trip and to operate on a schedule of six round trips daily and to use the same equipment at present used by her in maintaining her Norwalk and Los Angeles service, to wit, 14 to 18-passenger Reo speed wagons.

In the above entitled complaint, A. B. Watson, doing business under the fictitious name of Crown Stage, alleges in substance that said defendant, Mrs. H. A. Varro, is unlawfully and without authority of this Commission operating automobile stages beyond the town of Norwalk and to the Norwalk State Hospital and in direct competition with said Crown Stage Line, and prays for an order of this Commission directing her and her agents to desist from and cease said operation.

Mrs. H. A. Varro, in answer to said complaint, denies each and every allegation in respect to alleged unlawful operations and alleges affirmatively that since the ninth day of July, 1920, she has been operating

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only a for hire automobile service between the downtown portion of Norwalk and said state hospital.

A public hearing on the above matters was conducted by Examiner Satterwhite at Norwalk State Hospital on October 8, 1920. The matters were consolidated to receive evidence for the reason that evidence in one would be more or less pertinent in the other; said matters were duly submitted and are now ready for decision:

The Liberty Stage Line now operates between Los Angeles and Norwalk by way of Downey.

The Crown Stage Line now operates between Los Angeles and Santa Ana by way of Norwalk, following a different route, however, than the Liberty Stage Line between Bandini and Norwalk.

Norwalk State Hospital is about two and one-half miles north of Norwalk. There are now about 500 patients regularly treated in this institution, and the average number of employees is about 115. The Crown Stage Line passes the said hospital at a point upon the highway about one thousand feet from its actual buildings and structures.

Applicant called a large number of witnesses in support of the application, consisting of the superintendent, resident physician, employees and attendants. The testimony of applicant shows that Mondays, Wednesdays and Saturdays in each week are visiting days, that about 150 persons travel weekly to and from the hospital; that employees and attendants frequently travel between Los Angeles and the state hospital and other points in the vicinity; that many complaints have been made against the service of the Crown Stages and that much inconvenience is undergone in patronizing this line. Passengers are compelled to walk through an open dusty field in summer and in mud in winter from the hospital to the highway where the Crown Stages pass; that no waiting station has ever been erected, and that frequently passengers are carried past the point of destination; that frequent delays are caused by fully loaded stages; that at night there are no lights on the highway, and women have complained against the necessity of crossing at night a dark and lonely field; that most of the baggage of passengers is handled to and from Norwalk.

Innumerable requests have been made by the employees and visitors that this proposed service be established on the ground that it offers a direct and convenient service to and from the hospital.

The applicant also introduced testimony to show that at no time has she ever operated a regular stage service between Norwalk and the hospital, but had operated for hire an automobile service whenever a personal request had been made by any one going to and from the hospital, and that at no time had any regular schedule been maintained, and that different equipment had been used in operating the for hire service.

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A. B. Watson, protestant, testified that the Crown Stages is rendering a good and adequate half-hour service from 6 a. m. to 11.30 p. m. daily and operating 18-passenger busses.

After a careful consideration of all the evidence, we are of the opinion, and find as a fact, that public convenience and necessity require the operation of applicant's proposed service and that the application should be granted.

The Railroad Commission hereby declares that public convenience and necessity require the operation by Mrs. H. A. Varro of an automobile stage line as a common carrier of passengers between the town of Norwalk and the Norwalk State Hospital as an extension of the service now operated by her between Los Angeles and Norwalk, provided, however, that the rights and privileges hereby authorized may not be transferred nor assigned unless the written consent of the Railroad Commission for such transfer or assignment has first been secured.

It is hereby ordered, that no vehicle may be operated under this service unless such vehicle is owned by applicant herein or is leased by applicant on a contract or agreement on a basis satisfactory to the Railroad Commission.

We are of the opinion and find as a fact that Mrs. H. A. Varro has, since July 9, 1920, operated only for hire an automobile service between the downtown portion of Norwalk and the Norwalk State Hospital, and that she has never in any manner operated an auto stage service between said points as a common carrier or as a transportation company, and that the complaint of protestant, A. B. Watson, should be dismissed.

It is therefore ordered, that the said complaint of A. B. Watson be and the same is hereby dismissed.

Dated at San Francisco, California, this twenty-eighth day of October, 1920.

DECISION NO. 8296.

IN THE MATTER OF THE APPLICATION OF I. F. WISEMAN FOR THE ESTABLISHMENT OF WATER RATES.

Application No. 5369.

Decided October 28, 1920.

WATER RATES—SERVICE TO SUMMER RESORT DISTRICTS.—It is held that the few permanent consumers receiving service from a water system serving a summer resort district should not be required to pay rates which will permit the upkeep of a system designed and maintained to supply a much larger number of consumers. Revised schedule established providing for a minimum charge of $7 for four months' service and a minimum charge of $15 for one year's service.

L. E. Goodman, for Applicant.

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BY THE COMMISSION.

OPINION.

I. F. Wiseman, applicant herein, is the owner of certain real property and a summer resort located at the mouth of the Russian River in Sonoma County, California, known and designated as Jenner-by-the-Sea. In order to develop the property owned by him and improve the summer resort facilities, applicant has installed a water system, and in this proceeding requests that the Railroad Commission establish rates to be charged consumers for said service.

A public hearing was held in this matter on August 10, 1920, before Examiner Satterwhite at San Francisco. Mr. M. R. MacKall, one of the Commission's hydraulic engineers, submitted a report and appraisal of applicant's water system, which was introduced as evidence and made a part of this proceeding.

It appears that the water supply for this system comes from a perennial stream known as Jenner Creek which flows into the Russian River at Jenner. The water is collected by means of a small concrete dam diverting the water through about 2250 feet of two and three-inch steel pipe into two redwood storage tanks of a capacity of 5000 gallons each. The distribution system consists of approximately 750 feet of two-inch black iron pipe and 3440 feet of one-inch galvanized iron pipe. Two-thirds of the pipe of the system is laid upon the surface of the ground. On August 5, 1920, there were 35 active services. Practically the entire plant is built up of second-hand materials and because of its badly depreciated condition will require a complete renewal in a very few years.

The district served by applicant is a summer resort. Though there are some 35 consumers during the summer months, during the winter the maximum is only eight. For this reason it is necessary for applicant to maintain a water system capable of supplying the requirements of the maximum of population at all times, though they may only reside in this territory during three months of the year and require that water be delivered during that time only.

Because of the fact that the majority of applicant's consumers use water for only a very short period during the year, it is a difficult matter to equitably distribute the expense among the consumers. It is apparent that the few regular consumers requiring service throughout the year from a utility serving a summer resort district should not be required to pay rates in excess of the value of the service which they receive, to the end that facilities to supply the demand of those consumers who require service for only a short period each year may be kept up and maintained. It appears fair that those consumers requiring service only during a few months of each year should pay a rate which embraces a readiness to serve charge covering the time when

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water is not delivered although the utility stands ready to render service at any time that it is desired.

Taking into consideration the conditions existing in the community served, and the fact that the territory is now in the early stages of its development, the rate schedule established in the following order is based upon the fair and reasonable value of the service rendered to the community, and is designed to distribute the burden of maintaining the system, in so far as possible, so that each consumer will pay his equitable proportion of the necessary expense.

ORDER.

I. F. Wiseman having made application to the Railroad Commission as entitled above for the establishment of water rates, a public hearing having been held, and the Commission being fully apprised in the premises:

It is hereby found as a fact that the rates charged by I. F. Wiseman, in so far as they differ from the rates herein established, are unjust and unreasonable, and that the rates set out in the following order are just and reasonable rates to be charged.

And basing its order upon the foregoing finding of fact and upon the further findings of fact contained in the opinion preceding this order;

It is hereby ordered, that I. F. Wiseman be and he is hereby authorized and directed to file with this Commission within twenty (20) days from the date of this order, and thereafter charge, the following schedule of rates for all water delivered subsequent to November 1, 1920:

Flat Rates.

Minimum annual charge, payable in advance, entitling the consumer to water for a period of four months	$ 7 00
For each additional month	1 25
Flat rate for entire year, payable in advance	15 00
For residences of two or more floors, which are occupied by separate families or parties, an additional charge for each such floor in excess of one, for each month so occupied, per month	50
For the irrigation of a lot or lots, not occupied by a house or other residence, for each square yard of surface actually irrigated, per month (½ cent)	005

Meter Rates.

Minimum annual charge, payable in advance, entitling consumer to a maximum of 500 cubic feet of water per month for a period of four months	$ 6 00
All use during other months, 500 cubic feet or less per month	1 00
Next 3500 cubic feet, per 100 cubic feet	15
All use over 4000 cubic feet	10

NOTE—The above annual charges shall be due and payable on January 1st of each year.

In event any consumer receives service for only a portion of any month, the rates for the full month will be charged.

It is hereby further ordered, that I. F. Wiseman be and he is hereby directed to file with this Commission, within twenty (20) days from the date of this order, a schedule of proposed rules and regulations

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for the operation of said water system, said schedule to be subject to correction or amendment by the Commission and to be filed with the Commission and put into effect as approved within ten days from the date of their approval.

Dated at San Francisco, California, this twenty-eighth day of October, 1920.

DECISION NO. 8298.

PICKWICK STAGES, NORTHERN DIVISION, A CORPORATION,

vs.

V. W. MATHEU, WHITE STAR STAGE LINE, JOHN DOE, RICHARD ROE STAGE COMPANY, F. LOPEZ AND G. H. HARTER.

Case No. 1420.

Decided October 28, 1920.

AUTO STAGES—OPERATIVE RIGHTS—LEASING OR TRANSFERRING OF.—In dismissing the complaint brought by Pickwick Stages, Northern Division, praying that the Commission declare the operative rights of defendant Matheu abandoned and annul the same, the Commission holds that certain transactions of Matheu did not constitute a lease of his operative rights or an attempt at transfer. It is pointed out, however, that the Commission will not look with favor upon leasing or employment contracts which may, in effect, operate to transfer the responsibility of actual operation from the holder of operative rights to one who has not received a certificate to operate a transportation company.

N. C. Folsom, J. E. McCurdy, and *Chas. F. Wren,* for Complainant.

J. B. Peckham, Harry A. Encell, and *T. D. O'Donnell,* for Defendants.

BY THE COMMISSION.

OPINION.

The second amended complaint filed during the hearings alleges that defendants operate a passenger stage service between San Jose, Hollister, San Juan and Watsonville and intermediate points; that defendants entered into various agreements providing for the operation of said stage line, and praying the Commission to enter its order declaring that as a result of the agreements and operations not previously authorized by the Commission defendants have abandoned their rights to operate said line and that persons other than the defendants, claiming the right to operate it, be ordered to desist and refrain from any such operation of that part of the line between San Jose and Hollister, and for further relief. It was stipulated at the hearing that the allegation of facts therein contained be deemed denied.

Public hearings in the case were held by Examiner Westover at Salinas and at San Francisco. Final briefs have recently been filed, and the matter is now ready for decision.

It appears from the testimony that the operation of the line between San Jose and Hollister has been continuous and of a character satisfactory to the traveling public.

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By Application No. 5741, filed some time after the above numbered complaint was filed, Messrs. Matheu and Lopez asked authority to transfer the stage line operated by them between San Jose and Hollister to seven individuals composing the Peerless Stage Association, or to a corporation formed or to be formed by them. No question is raised as to the ability of the association or its members, long engaged in the passenger stage business, to successfully operate the line so far as the service to the public is concerned. The application was set for hearing with the above case, but during the hearing, upon suggestion of counsel, it was stipulated that order upon the application might be made *pro forma* after decision herein upon the above case, and that procedure will be followed.

The second amended complaint contains no allegation concerning defendant Harter, and he is not mentioned in it after the caption. However, it appears from his testimony, without objection, when called as a witness by complainant, that on or about February 20, 1920, he contracted to sell his line, including operative rights and equipment, to said Lopez, who at that time took charge of the operation of the line for witness Harter, pending action of the Commission upon formal Application No. 5389, made and filed about that time, to transfer the line between Salinas and Hollister. Action upon the above Harter application to transfer has been delayed upon stipulation of the parties pending the hearings, filing of briefs and decision herein.

The prayer is that the Commission determine that the purported operative rights of defendant have been abandoned, and that they be cancelled and rescinded.

The alleged abandonment is claimed by complainant to have been brought about by certain transactions of Matheu with Enyeart subsequent to May 1, 1917, and prior to July 22, 1919, which complainant contends amounted to a leasing of the line to Enyeart. We find that these transactions, as disclosed by the evidence, did not constitute an attempted transfer of operative rights, or that any other person as the successor of Matheu should carry on the operations of this stage line. While we conclude, therefore, that that was not an abandonment of operative rights, we add, however, that this Commission will not look with favor upon leasing or employment contracts which may, in effect, operate to transfer the responsibility of actual operations from the holder of operative rights to one who has not received a certificate of public convenience and necessity from this Commission for the operation of a transportation company.

The evidence herein justifies the conclusion that Matheu was at all times the owner of the operative rights and the person on whose behalf this stage line was operated under the name of White Star Stages.

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ORDER.

Public hearings having been held in the above entitled case, briefs of counsel having been filed, and the matter having been submitted and carefully considered;

It is hereby ordered, that the second amended complaint herein be and it is hereby dismissed.

Dated at San Francisco, California, this twenty-eighth day of October, 1920.

DECISION NO. 8299.

HIGHLAND PARK CHAMBER OF COMMERCE

vs.

ATCHISON, TOPEKA AND SANTA FE RAILWAY, COAST LINES.

Case No. 1475.

Decided October 28, 1920.

GRADE CROSSINGS—PROTECTION—ADEQUACY OF.—It is held that an automatic flagman and crossing bell is not sufficient protection for a crossing such as here under consideration, which is used by over 3000 vehicles per day, nor would two automatic flagmen be sufficient protection. Defendant directed to submit within one month plans for the construction of crossing gates at Dayton avenue, Los Angeles, and to complete such construction within two months after the approval of such plans; also to replace present crossing sign and gong with an additional automatic flagman.

L. T. Mayhew, for Highland Park Chamber of Commerce.

David Faries, for Automobile Club of Southern California.

M. W. Reed, for Atchison, Topeka and Santa Fe Railway.

F. A. Lorentz, for Board of Public Utilities of the City of Los Angeles.

BRUNDIGE, *Commissioner.*

OPINION.

In this complaint, filed August 4, 1920, Highland Park Chamber of Commerce alleged that the railway grade crossing maintained by defendant at the intersection of its railway with Dayton avenue, Los Angeles, was inadequately protected, and asked that the Commission order crossing gates installed. Complainant also drew attention to fatal accidents at this point and asked further that pending the operation of gates the defendant protect the crossing by manual flagmen. This crossing is within the city of Los Angeles.

A public hearing was held in Los Angeles on October 21, 1920, at which the complainant, the defendant; the board of public utilities of the city of Los Angeles and the Automobile Club of Southern California were represented.

Complainant introduced evidence to show that the grade crossing was dangerous, particularly because of the fact that the view and audibility of Los Angeles bound trains of defendant was very poor because of buildings located upon the acute angle corner of Pasadena

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avenue and the Santa Fe right of way to the northwest of the crossing. Another point brought out was the fact that there was considerable confusion to vehicle drivers resulting from Los Angeles Railway Corporation street railway tracks just to the west of the crossing and Pacific Electric Railway Company street railway tracks just to the east of the crossing.

Mr. Lorentz, assistant engineer in the board of public utilities of the city of Los Angeles, testified to the results of traffic studies showing that approximately 3000 vehicles per day used this crossing and that sixty-three per cent of the vehicular travel was west bound, the direction of the greater risk and danger. He testified further that in his judgment the protection provided by defendant at this crossing was inadequate.

The present protection consists of an automatic flagman located on the southerly side of Dayton avenue and on the westerly side of the railway tracks, and a crossing sign with a small gong on the other side of the street and the other side of the tracks, the latter in the proper location to protect the westbound vehicular traffic, which is nearly double the eastbound.

Defendant did not contend that the present protection was adequate. In fact it suggested replacing the gong by an automatic flagman, in lieu of the installation of crossing gates. If this were done there would be two automatic flagmen, the present automatic flagman remaining in its present location.

Mr. H. G. Weeks, one of the Commission's assistant engineers, who has made many traffic investigations in Los Angeles and vicinity, was also of the opinion that the present protection was insufficient and the grade crossing dangerous.

There seems to be no question of the inadequacy of the existing devices to protect the public passing over this grade crossing, and that the real point at issue is what additional protection should be installed.

Witness for the defendant stated that in his opinion automatic flagmen offered equal protection to gates and supported his opinion by figures to show that gates fail more often than the flagmen. Since the figures presented were based on a few gates at very busy crossings and for all flagmen, principally at very much less busy points, I can not give them any particular weight in this proceeding. This witness also predicated his opinion on the allegation that gates, if run into and broken, left the crossing without protection. I am not convinced that this is sound. There are usually four individual gates at any one crossing and rarely is more than one broken at a time. Further, if the automatic flagman fails there is no protection, while, on the other

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hand, even with a complete failure of all four gates, the gate operator may flag vehicular traffic from the ground, as a manual flagman.

Mr. Lorentz and Mr. Weeks both testified that in their judgment gates provided the best protection, and I am convinced that the gates should be installed.

It was also brought out that the present automatic flagman which should remain as warning to vehicles at night when the gates are not operated, should be moved across Dayton avenue and also placed on the other side of the track. This is not enough. Due to the curve, or change in direction of Dayton avenue at this point, the flagman would not be readily visible to eastbound vehicles. An additional wigwag should replace the present crossing sign and gong.

I wish to add that the rapid and continual growth of this territory and in the number of automobiles, and the fact that Pasadena avenue is a through street where relatively high vehicular speed may be maintained have had considerable influence in arriving at my conclusion, particularly when the future is considered.

I submit the following form of order:

ORDER.

A public hearing having been held in the above entitled proceeding, the matter having been duly submitted, and the Commission being fully advised;

It is hereby ordered, that Atchison, Topeka and Santa Fe Railway, Coast Lines, proceed at once to install crossing gates and to complete the installation not later than two months from the date of approval of the plans for their location by this Commission, as hereinafter provided.

It is further ordered, that defendant submit within one month from the date of this order plans showing the proposed location of crossing gates which is satisfactory to the city of Los Angeles.

It is still further ordered, that defendant shall immediately replace the present crossing sign and gong on the northerly side of Dayton avenue with an automatic flagman.

The Commission reserves the right to make such further orders relative to the location, construction, operation, maintenance and protection of said crossing as to it may seem right and proper, and to revoke its permission if in its judgment the public convenience and necessity demand such action.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-eighth day of October, 1920.

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DECISION NO. 8302.

IN THE MATTER OF THE APPLICATION OF MOTOR TRANSIT COMPANY, A CORPORATION, FOR PERMISSION TO MAKE A GENERAL ADJUSTMENT IN ITS RATES FOR THE TRANSPORTATION OF PERSONS AND TO INCREASE CERTAIN RATES.

Application No. 5897.

Decided October 30, 1920.

H. W. Kidd and *Harry A. Encell*, for Applicant.

Joss Stephens and *H. S. Payne*, for Los Angeles Board of Public Utilities.

BY THE COMMISSION.

OPINION.

Motor Transit Company, a corporation, operating passenger stages between Los Angeles and various points in southern California, applied for authority to publish tariffs showing a general readjustment of rates, resulting in increases in many instances.

Public hearings upon the application were held by Examiner Westover at Los Angeles.

The applicant now operates a line between Los Angeles and Bakersfield and Taft via the ridge route, one line between Los Angeles, Palmdale and Lancaster over two routes, one via Bouquet Canyon and one via Mint Canyon; a line between Los Angeles, San Bernardino, Redlands and Riverside via El Monte and Pomona, and a line between Los Angeles and San Diego via Whittier, Fullerton and Santa Ana.

These lines were acquired at various times and in various portions, beginning on or about December 1, 1916, when it acquired a line between Los Angeles and Anaheim and Fullerton from a partnership operating under the name of P. E. Stage Line. It has adopted the rates in force on the respective lines or portions of lines acquired; or where it has established lines it has arbitrarily put into effect certain rates which it has ever since charged. The testimony shows that this has resulted in numerous inequalities in rates and that applicant has also experienced very substantial increases in various features of operating costs. It, therefore, asks authority to establish new schedules of rates for the purpose of producing additional revenue and adjusting its rates so they shall rest upon substantially the same basis in territory where operating conditions are similar. It also proposes to withdraw from sale its 10-ride and 52-ride commutation tickets in use on its Los Angeles-Santa Ana-Anaheim line, but continue its 30-ride and 60-ride tickets.

An analysis of the rates submitted shows that 199 rates remain unchanged, 849 rates are increased, and 1253 rates are decreased by the proposed tariffs, which result in ironing out the inconsistencies now existing.

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Owing to the manner in which this applicant acquired its various properties, the very growth of the institution eliminates any possibility of showing a comparison of earnings and expenses for any appreciable period. The company started as a comparatively small operator and at the present time is the largest auto stage passenger carrier in the state.

The exhibits offered in this proceeding showed that for an eight months' period, January 1 to August 31, inclusive, the actual passenger revenue amounted to $815,912, and that the actual expenses for the same period were $880,592.68, or a deficit of $64,680.68, an average of over $8,000 operating loss per month. These figures include depreciation on the equipment of 20 per cent per annum. The Commission, therefore, concludes that a real emergency exists wherein the applicant is entitled to immediate relief.

Beginning the middle of this year gasoline, oil and tire prices were greatly increased and a labor strike required this company to increase wages; it was also necessary to increase the rental paid to leased car owners from $35 to $40 per day, resulting in an actual operating loss for August of over $11,000.

An exhibit shows that the revenue per car mile increased from January 1 18 cents, to August 1 21.2 cents, while the operating expense per car mile in January was 20.2 and in August 23.2. Owing to the manner in which a car mile base is arrived at, that is, by including several sizes and types of equipment, and that the mileage also includes leased car miles, and for the further reason that small cars and large cars are not in use in territory where operating conditions are the same, a comparison on a car-mile basis is not stable and these figures can not be relied upon or used as a basis for rate making.

The adjustment proposed by applicant would bring about an increase in revenue of approximately 26 per cent, and this, we believe, would produce revenue in excess of what is required to meet all operating expenses, depreciation and a reasonable return upon investment. The investment account of this company, including $25,000 cash working capital, instead of $215,000 as set up in the applicant's rate base figures, amounts to $736,297.17. The Commission, therefore, concludes that on account of the emergency herein shown to exist the applicant can not continue to serve the public under the schedule of rates at present in effect. We are not satisfied, however, that the rates should be increased by 26 per cent, as the estimated figures indicate that such an increase in fares would produce more revenue than the situation warrants, but the Commission does believe that relief should be granted.

The Commission is of the opinion that the applicant should be authorized to cancel all round trip fares and other special reduced rate tickets and that it should be permitted to increase its present

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fares by 10 per cent. In calculating rates under the authority given herein, fares must end in the nearest multiple of five.

The Commission in this decision does not finally pass upon whether the amount of relief allowed in this case is too much or too little, but the applicant will be required to keep an accurate and comprehensive record of its revenue and expenses and will be required to furnish the Commission with a report monthly, beginning with November and continuing for a period of six months, within which time the Commission will determine whether or not the fares shall continue in effect, or whether or not they shall be increased or decreased.

We hereby submit the following form of order:

ORDER.

It is hereby ordered, that the applicant in this proceeding be authorized to increase its rates by 10 per cent and to eliminate all round trip fares and all special reduced rate tickets, and to iron out any inconsistencies in existing fares; provided, however, that any increases over and above the 10 per cent result through such adjustment, the same must be reported to the Commission showing the increases and points between which such fare applies.

It is further ordered, that the applicant shall be required to furnish the Commission with a report monthly showing the amount of revenue and expenses, beginning with November and continuing for a period of six months.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this thirtieth day of October, 1920.

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Decision No. 8303.

IN THE MATTER OF THE APPLICATION OF JAMES A. MURRAY, WM. G. HENSHAW AND ED FLETCHER, COPARTNERS DOING BUSINESS UNDER THE NAME AND STYLE OF THE CUYAMACA WATER COMPANY, FOR AN ORDER AUTHORIZING AND PERMITTING AN INCREASE IN THE RENTALS, TOLLS AND CHARGES FOR WATER FURNISHED BY THEM AND SERVICE RENDERED BY THEM IN FURNISHING WATER IN THE COUNTY OF SAN DIEGO.

Application No. 4515.

IN THE MATTER OF THE APPLICATION OF JAMES A. MURRAY, WM. G. HENSHAW AND ED FLETCHER, DOING DUSINESS UNDER THE FIRM NAME AND STYLE OF THE CUYAMACA WATER COMPANY, FOR AN ORDER AUTHORIZING AND PERMITTING THEM TO PLACE A SURCHARGE UPON THEIR PRESENT RENTALS, TOLLS AND CHARGES FOR WATER FURNISHED BY THEM, SUCH SURCHARGE BEING NECESSARY ON ACCOUNT OF THE INCREASED COST OF OPERATION.

Application No. 4670.

ROBERT ROSS ET AL.

vs.

JAMES A. MURRAY ET AL.

Case No. 1272.

Decided October 30, 1920.

BY THE COMMISSION.

SECOND SUPPLEMENTAL ORDER.

Whereas, the first supplemental order herein made on the twenty-fifth day of October, 1920, sets forth that the applicants, James A. Murray, William G. Henshaw and Ed Fletcher, had failed to comply with a certain condition named in the decision and order herein made on the twenty-fourth day of September, 1920, by the terms of which said applicants were required to file within twenty days of the date of said order a comprehensive plan for the reconstruction of a certain flume, by reason of which noncompliance the Commission did, by its said first supplemental order, suspend the decision and order made herein on the twenty-fourth day of September, 1920, and direct that said applicants and the Cuyamaca Water Company desist from further charging, receiving or collecting the rates authorized by the terms thereof until the further order of this Commision; and

Whereas, it now appears that the recitals contained in said first supplemental order showing noncompliance on the part of applicants with the conditions named in the order of September 24, 1920, are not in accordance with the facts, but, on the contrary, said applicants did cause to be filed, and there was filed, with this Commission on the eleventh day of October, 1920, a comprehensive plan for the reconstruction of the 33-mile wooden transmission flume, extending from the

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diversion dam to the eucalyptus reservoir, as required by the condition named in said order of September 24, 1920, but through inadvertence and mistake no entry of such filing was made upon the Commission's docket in these proceedings; now, therefore,

It is hereby ordered, that the first supplemental order herein, suspending the decision and order of the Railroad Commission herein made on the twenty-fourth day of September, 1920, and directing that the Cuyamaca Water Company, James A. Murray, William G. Henshaw and Ed Fletcher desist from further charging, receiving and collecting the rates authorized by the terms thereof until the further order of the Commission herein, be and the same is hereby vacated and annulled; and

It is further ordered, that entry be made upon the Commission's docket of these proceedings to show the filing upon October 11, 1920, of the comprehensive plan herein above referred to; and

It is hereby further ordered, and the Railroad Commission hereby reaffirms in all particulars its opinion and order as set forth in Decision No. 8145 made herein on September 24, 1920.

Dated at San Francisco, California, this thirtieth day of October, 1920.

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MISCELLANEOUS AND SUPPLEMENTAL ORDERS.

AUTO STAGE APPLICATIONS.

DISMISSALS.

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TABLE A. Miscellaneous and Supplemental Orders.

Dec. No.	Application No.	Applicant	Nature of proceeding	Date
7335	5351	Pacific Telephone and Telegraph Company	Applicant granted certificate to operate in Nevada City	April 3, 1920
7387	5382	Grangers Business Association	Approving stipulation	April 8, 1920
7507	5392	A. B. Perkins	Approving proposed mortgage	April 30, 1920
7548	5612	East Bay Water Company	Authorizing sale of real property	May 10, 1920
7552	5667	West San Joaquin Valley Water Company	Authorizing sale of certain lots in city of Los Banos	May 10, 1920
7589	5668	B. M. Jones and Wm. H. Guthrie	The former authorized to transfer small water system to latter	May 17, 1920
7590	5666	M. M. Bradbury and E. L. Doherty	The former authorized to transfer water system to latter	May 17, 1920
7615	5571	Howard Company	Granted permission to establish increased rates for storage	May 24, 1920
7616	5575	Pacific Electric Railway Company	Granted permission to abandon and remove one mile of trackage in Redlands	May 24, 1920
7619	5260	California Wharf and Warehouse Company	Approving stipulation as to franchise values	May 24, 1920
7645	5492	Midway Gas Company	Approving form of trust deed	May 27, 1920
7661	5709	Midland Counties Public Service Corporation	Amending Decision No. 7643 as to note interest	June 7, 1920
7699	5606	D. A. Hedger et al. and Pacific Telephone and Telegraph Company	Former authorized to transfer telephone system to latter	June 8, 1920
7700	5707	East Bay Water Company	Authorized to transfer certain real property	June 8, 1920
7701	4024	Citizens Water Company of San Jacinto	Protestants petition for rehearing denied	June 8, 1920
7811	5421	San Benito County Land and Water Company	Authorized to increase interest rate on notes from 6 to 7 per cent	June 28, 1920
7840	5849	San Joaquin and Eastern Railroad	Authorized to abandon station at Shipps	July 9, 1920
7841	5867	Northwestern Pacific Railroad	Auhorized to lease trackage of Little River Redwood Company	July 9, 1920
7883	5933	Southern California Edison Company	Approving trust indenture	July 22, 1920
7893	5693	Saticoy Warehouse Company	Approving increase in rates	July 22, 1920
7894	5627	Farmers Alliance Business Association	Approving increase in storage rates	July 22, 1920
7895	5824	Capay Warehouse Association	Approving increase in rates	July 22, 1920
7896	5822	State Warehouse Company	Approving increase in rates	July 22, 1920
7897	5809	Guernsey Grain Company	Approving increase in storage rates	July 22, 1920
7898	5808	Intrastate Warehouse Company	Approving increase in rates	July 22, 1920
7899	5797	Los Molinos Warehouse Company	Approving increase in rates	July 22, 1920
7900	5792	Dufore Warehouse	Approving increase in rates	July 22, 1920
7905	2529	Pullman Water Company	Correcting schedule of water rates	July 22, 1920
7906	5800	J. H. Brothers	Approving increase in storage rates	July 22, 1920
7919	5727	Benjamin R. Day	Approving increase in water rates	July 26, 1920
7938	2801	Empire Water Company	Petition of consumers for rehearing denied	July 29, 1920
7947	5963	Pacific Telephone and Telegraph Company	Authorized to transfer Placerville Exchange to Shelley Inch	Aug. 2, 1920
7990	5915	Atchison, Topeka and Santa Fe Railway	Authorized to abandon Branwell branch	Aug. 23, 1920
7993	5818	Twin Cities Gas Company	Approving form of trust deed	Aug. 23, 1920
7998	6023	East Bay Water Company	Authorized to transfer certain real property	Aug. 23, 1920
8004	5728	Southern Pacific Company, et al.	Petition of city of Oakland to suspend increase in transbay fares denied	Aug. 25, 1920
8010	5910	Port Costa Wharf Company	Approving wharf franchise	Aug. 27, 1920

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8023	5411	Ida F. Bass, et al.	Approving transfer of telephone system	Aug. 27, 1920
8032	2265	Santa Barbara Telephone Company	Authorized to use small balance of proceeds of bond sales to reimburse treasury	Aug. 27, 1920
8047	4966	Southern Counties Gas Company	Amending prior order with reference to issuance of bonds	Sept. 1, 1920
8086	5801	C. E. Upham	Approving wharf franchise, Emmaton	Sept. 13, 1920
8090	5908	Walnut Creek Water Company	Authorized to lease system to city of Walnut Creek	Sept. 13, 1920
8092	6075	Western Pacific Railroad Company	Authorized to abandon spur at Mabie	Sept. 13, 1920
8098	4925	Lindsay Home Telegraph and Telephone Company	Petition for rehearing denied	Sept. 13, 1920
8103	5730	Southern California Edison Company	Granted extension of time in which to dispose of certain transmission lines	Sept. 14, 1920
8157	6020	Alturas Electric Power Company	Authorized to renew notes	Sept. 25, 1920
8158	6013	Arrowhead Warehouse Company	Authorized to issue three shares of stock	Sept. 25, 1920
8186	6124	Citizens Water Company of San Jacinto	Authorized to transfer system to Fruitvale Mutual Water Company	Oct. 1, 1920
8187	6135	J. L. Doherty	Authorized to transfer water system to G. W. Fickel	Oct. 1, 1920
8206	6153	Placerville Water Works	Authorized to transfer system to city of Placerville for $20,000	Oct. 6, 1920
8209	5099	Pacific Gas and Electric Company	Approving stipulation as to franchise value Yolo county	Oct. 6, 1920
8213	5786	C. W. Wood	Authorized to sell telephone plant to J. P. Thomas	Oct. 8, 1920
8215	6188	Beaumont Land and Water Company, et al.	Authorized to transfer plants to Beaumont Irrigation District	Oct. 9, 1920
8217	6328	et seq. Smith Lumber Company vs. Southern Pacific Company	Defendants petition for rehearing denied	Oct. 11, 1920
8225	5953	Imperial Grain and Warehouse Company, et al.	Authorizing some seven warehouse companies to establish revised schedules of rates	Oct. 11, 1920
8229	6074	Western Pacific Railroad Company	Authorized to abandon spur track at Swayne	Oct. 11, 1920
8237	5278	Pacific Gas and Electric Company	Authorizing schedule of gas rates for city of Oroville	Oct. 13, 1920
8258	5550	Santa Maria Gas Company	Amending order with reference to proceeds of bond sales	Oct. 20, 1920
8259	4128	East Bay Water Company	Permitting pledging instead of sale of bonds	Oct. 20, 1920
8261	5745	Winterhaven Improvement Company	Approving stipulation as to franchise value	Oct. 20, 1920
8267	6199	Huntington Beach Water Company	Authorized to transfer unused reservoir site	Oct. 25, 1920
8268	6200	Whittier Water Company	Authorized to sell certain unused real property	Oct. 25, 1920
8304	1334	Re A. B. Shaw	Petition for rehearing denied	Oct. 30, 1920

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TABLE B. Auto Stage Applications.

Dec. No.	Application No.	Applicant	Nature of application	Action	Date
7333	5317	J. Boshoff	To operate auto passenger service between Santa Rosa and Jenner-by-the-Sea	Granted	April 3, 1920
7334	4470	Harry M. Hunt	To operate auto freight service between Ojai and Los Angeles	Dismissed—prior right	April 3, 1920
7335	5351	T. J. Cronin	To operate auto passenger service between Madera and Raymond	Granted	April 3, 1920
7337	4808	Ben. R. Pedranti	To operate passenger service between Point Reyes Station and Inverness	Granted	April 3, 1920
7340	5274	Western Motor Transport Company	To operate passenger service between Rodeo and Livermore	Granted	April 3, 1920
7340	5361	Bay Shore Stage Company	To operate passenger service between Oakland and Martinez	Granted	April 3, 1920
7341	4436	Q. C. Allison	To operate auto freight service between Los Angeles and Long Beach	Granted	April 3, 1920
7342	5031	G. E. Golbreath	To operate auto freight service between Chino and Los Angeles	Granted	April 3, 1920
7344	5404	James B. Clark and Bay Shore Stage Company	The former to transfer rights to latter, Oakland-Martinez	Granted	April 3, 1920
7346	5507	Pickwick Stages, N. D. and M. V. Engeart	The former to purchase stage line of latter, San Jose-Gilroy	Granted	April 3, 1920
7347	5525	Richard H. Behr and Earl F. Blabaugh	The former to transfer stage line to latter, Los Angeles-McKittrick	Granted	April 3, 1920
7348	5365	M. H. Schlotterback	To operate passenger stage between Imperial Beach and Coronado	Granted	April 3, 1920
7349	5479	G. M. LaShelle et al. and L. H. Zimmerman et al.	The former to transfer interest in stage line to latter	Granted	April 3, 1920
7352	5029	W. D. Greer Stage Company	To operate passenger service between San Luis Obispo and McKittrick	Granted	April 3, 1920
7353	5149, 5521	H. W. Shuman	To operate auto stage service between Madera and Sugar Pine, and discontinue service between Madera and Raymond	Granted	April 3, 1920
7354	5013	Ettore Paggi	To operate freight service between San Fernando-Los Angeles	Granted	April 3, 1920
7355	4921	Barton and Murray	To operate passenger and freight service between Yreka and Walker	Granted	April 3, 1920
7356	5457	Fred Fisher	To operate passenger service between Upper Lake and Lakeport	Granted	April 3, 1920

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7357	5458	C. D. Crowell and F. W. Wales	The former to transfer stage line to latter, Folsom-Sacramento	Granted	April 3, 1920
7358	4143	R. B. Clark	To operate passenger and freight service between Alturas and Lookout	Granted	April 3, 1920
7359	5473	Oakland-Newark Auto Stage Line	To discontinue service between Centerville and Newark	Granted	April 3, 1920
7360	5064	James E. Jones	To operate passenger and freight service between Eagleville and Cedarville	Granted	April 3, 1920
7361	4798	H. V. Freeman	To operate freight service between Sunland and Los Angeles	Granted	April 3, 1920
7362	5332	Nelsson and Barcia	To operate freight and passenger service between Avila and San Luis Obispo	Granted	April 3, 1920
7366	5376	R. M. Nelson	To operate passenger service between Palo Alto and United States Hospital	Granted	April 3, 1920
7367	4785	C. D. Erickson	To operate freight service between Compton and Los Angeles	Denied	April 3, 1920
7369	4113	V. M. Torres	To operate passenger and freight service between Simmler and San Luis Obispo	Granted	April 5, 1920
7370	5080	Fast Film Service Company	To operate freight service between San Francisco and Porterville	Granted	April 5, 1920
7371	5272	Shaw and Beard	To operate freight service between San Jose-Hollister-Hayward	Granted	April 5, 1920
7382	4526	C. O. Gould	To operate passenger and freight service between Monterey and Carmel	Granted	April 8, 1920
	4689	Fred A. Wermuth			
7393	5417	Geo. W. and J. M. Johnson	To operate auto freight service between Cloverdale and Navarro	Granted	April 8, 1920
7395	5528	Scott and Walling	The former to transfer stage line to latter, Visalia-Delano	Granted	April 8, 1920
7403	4494	Harmon and Leasa	To operate freight service between San Bernardino and Los Angeles	Denied	April 8, 1920
7404	5204	Chaldee and Hendershot	To operate auto passenger service between Chico and Redding	Granted	April 9, 1920
	5816	Crews and Morss			
7405	4046	Geo. W. Hufford	To operate auto stage service between Fortuna and Bridgeville	Granted	April 9, 1920
7407	4851	Mays and Gillen	To operate auto stage service between Dinuba and Hanford	Granted	April 9, 1920
7409	5528	Webb Pinneo	To operate auto stage service between Bieber and Oregon Line	Granted	April 9, 1920
7413	4344	William Lolax	To operate passenger and freight service between Eureka and Freshwater	Granted	April 9, 1920
7414	3631	M. S. Bittencourt	To operate auto freight service between Eureka and Arcata	Granted	April 9, 1920

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TABLE B. Auto Stage Applications.—(Continued.)

Dec. No.	Application No.	Applicant	Nature of application	Action	Date
7416	4448	William and Harry E. Fletcher	To operate auto freight service between Los Angeles and Oxnard	Granted	April 9, 1920
7418	4630	John C. Albee	To operate passenger and freight service between South Fork and Petrolio	Granted	April 9, 1920
7425	5533	C. T. Cooley	To operate passenger stage service between Maricopa and Kerto	Granted	April 15, 1920
7427	4469	Pickwick Stages N. D.	To operate passenger stage service between Santa Paula and Ventura	Denied	April 15, 1920
7428	5545	Stanley Berry	To operate passenger and freight service between Eureka and Auto Rest	Granted	April 15, 1920
7429	5502	Nieman and Mektacoff and Bozoff	The former to transfer stage line to latter, Los Angeles-Moneta	Granted	April 15, 1920
7430	5548	R. D. Brown and F. A. Rupley	The former to transfer stage line to latter, Colfax-Forest Hill	Granted	April 15, 1920
7431	5501	Nieman and Mektacoff	To transfer stage line permits, Los Angeles, Gardena-Moneta	Granted	April 15, 1920
7432	5541	Dicke and Hildreth and Skillicorn	The former to transfer stage line to latter, Healdsburg-Santa Rosa	Granted	April 15, 1920
7433	4847	Red Star Stage Line	To operate stage line between Pigeon Point and Santa Cruz	Denied	April 15, 1920
7435	5430	V. H. Morris	To operate passenger service between Dunsmuir and Weed	Granted	April 15, 1920
7436	5561	L. E. McPherson	To operate passenger and freight service between Cloverdale and Geysers	Granted	April 15, 1920
7442	5452	Bay Cities Transportation Company	To operate auto freight service between Oakland-Richmond-Hayward	Denied	April 19, 1920
7443	5035	Flack Truck and Transfer	To operate auto freight service between Los Angeles and Bellflower	Granted	April 19, 1920
7448	5403	Munter and Decker	To operate freight service between San Francisco-Davenport and Santa Cruz	Granted	April 19, 1920
7449	4640	Charles E. Dixon	To operate passenger and freight service between Huntington Beach and Santa Ana	Granted	April 19, 1920
7450	5560	United Stages, Incorporated	To operate passenger service between Westmoreland and Brawley	Granted	April 19, 1920
7462	5565	J. C. Simmons and McGann and Morgan	The former to transfer stage line to latter, Los Angeles-Orange	Granted	April 21, 1920
7465	5428	Grost, Richards and Lowell	To operate auto passenger service between Vallejo and Morrow Cove	Granted	April 21, 1920

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7467	4475	Tucker Truck and Transfer Company	To operate freight service between Los Angeles and Santa Paula	Granted	April 21, 1920
7468	5355	C. E. Dixon and Chas. E. Crosby	The former to transfer stage line to latter, Santa Ana-Huntington Beach	Granted	April 21, 1920
7472	5484	Guy Arnett	To operate passenger service between Susanville and Wendel	Granted	April 26, 1920
7476	5603	Susanville Bieber Stage Company	To operate stage service between Susanville and Bieber	Granted	April 26, 1920
7486	5453	Bay Cities Transportation Company	To operate freight service between Alviso-San Jose-Decoto	Granted	April 26, 1920
7487	5187	Spreken, E. H.	To operate freight service between Los Angeles-Anaheim and Lindsay	Granted	April 26, 1920
7488	5476	Renel N. Wright	To operate freight service between Murco and Los Angeles	Granted	April 26, 1920
7489	5444	M. M. Beveridge	To operate passenger service between Bungalow Inn-Gardener Junction	Granted	April 26, 1920
7491	4499	Burbank Transfer	To operate freight service between Burbank and Los Angeles	Granted	April 26, 1920
7493	5508	S. and M. Transfer	To operate freight service between Redondo Beach and Los Angeles	Granted	April 26, 1920
7495	5087	Folk and Renn	Rehearing for permission to operate intermediate points, San Jose-Saratoga	Denied	April 26, 1920
7496	3774	F. L. Johnson	To operate passenger service between Laurel Canyon-Bungalow Inn	Denied	April 26, 1920
7497	5448	Lawrence Stage Company	To operate passenger service between Engles Mine and Susanville	Granted	April 26, 1920
7498	5218	Thomas and Caylor	To operate passenger service between Fort Bragg and Sausalito	Denied	April 26, 1920
7503	5000	E. D. Brizard	To operate passenger service between Eureka and Rohnerville	Granted	April 30, 1920
7506	3652 5363 5449	Lawrence Stage Company Geo. A. Scott Houk and Smith	To operate stage service, Westwood-Susanville-State Line-Doyle	Granted	April 30, 1920
7509	5222	O. L. Higden	To operate freight service between Riverdale and Lenare	Granted	April 30, 1920
7510	5406	C. W. Burris	To operate freight service between Eureka and Wrangletown	Granted	April 30, 1920
7511	5530	Western Auto Stage Company and W. D. Greer	The former to transfer stage line to latter, Taft-Pismo	Granted	April 30, 1920
7512	5588	Geo. F. and E. J. Thompson	The former to transfer stage line to latter, Fresno-Calwa	Granted	April 30, 1920
7513	5607	Jack Kieth	To operate passenger service between San Jose and Redwood Park	Granted	April 30, 1920

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TABLE B. Auto Stage Applications.—(Continued.)

Dec. No.	Application No.	Applicant	Nature of application	Action	Date
7515	5629	J. L. Hall and United Stages	The former to transfer stage line to latter, Santa Paula-Oxnard	Granted	April 30, 1920
7520	5410	Von. Krusze and Brocchini	To operate freight service between Santa Rosa and Petaluma	Denied	May 3, 1920
7521	4849	Carr, Boyce and McKinley	To operate passenger service between Riverside-Redlands	Denied	May 3, 1920
7522	5107	Palo Verde and Imperial Valley Transfer Company	On petition for a rehearing to operate between Beaumont and Los Angeles	Denied	May 3, 1920
7523	5151	Hoyt R. Graham	To operate passenger service, Santa Fe avenue to Bell	Granted	May 3, 1920
7524	5343	Keystone Express	To operate freight service between Covina and Glendora	Granted	May 3, 1920
7525	4328	C. W. Burris	To operate freight service between Eureka and Garberville	Granted	May 3, 1920
7526	5491	H. O. Crynbal	To operate freight service between San Jose and Los Gatos	Granted	May 3, 1920
7527	4222	F. L. Blane	To operate freight service between Julian and San Diego	Granted	May 3, 1920
7528	4017	Wm. F. Boehlert	To operate freight service between Los Angeles and Gardena	Granted	May 3, 1920
7530	5596	Stanley Berry and Caroll Huntington	The former to transfer one-half interest in stage line to latter, Eureka-Auto Rest	Granted	May 3, 1920
7531	4741	E. B. Dillingham	To operate passenger service between Long Beach and Whittier	Granted	May 3, 1920
7532	4695	M. C. Fillipponi	To operate freight service between Cambria and San Simeon	Granted	May 3, 1920
7534	5594	Wm. Harper and C. E. Garner	The former to transfer stage line to latter, Los Angeles-Lancaster	Granted	May 3, 1920
7535	4644	E. L. McConnell	To operate freight service between San Luis Obispo-Santa Maria and Orcutt	4644 granted; others denied	May 3, 1920
	4694	Raymond J. Hearne			
	5277	Biddles and Lefever			
	5370	L. H. Keeney			
7536	5576	Geo. G. Caddeback	To operate passenger and freight service between Bridgeville and Ruth	Granted	May 3, 1920
7537	5412	H. A. Varro	To operate passenger service between Downey and County Farm	Granted	May 3, 1920
7538	5120	Geo. Learned	On petition for rehearing to operate between Sausalito and Union High School	Granted	May 3, 1920

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7539	5461	E. C. Heskett	To operate freight service between San Jose and Hollister	Granted	May 3, 1920
7546	5457	Martinez and Son	To operate freight service between Stockton-Groveland	Denied	May 10, 1920
7550	5425 5586 5587	Bram and Metz and Harter Geo. H. Harter John Nelson	To transfer stage rights between Santa Cruz and Watsonville and for certificates to operate between Salinas and Santa Cruz	5425 denied; others granted	May 10, 1920
7551	4438	Walter H. Cullen	To operate freight service between El Monte and Los Angeles	Granted	May 10, 1920
7553	5028	F. E. Reweller	To operate freight service between Redondo-Manhattan and Los Angeles	Granted	May 10, 1920
7554	5137	Fletcher and Tremble	To operate freight service between Wilmington-Colton-Riverside	Denied	May 10, 1920
7555	4381	J. E. Price	To operate passenger service between Cambria and San Luis Obispo	Denied	May 10, 1920
7556	3989	Wm. E. Burnett	To operate passenger service between Tres Pinos and Idria	Denied	May 10, 1920
7558	5574	C. T. McCulloch	To operate freight and passenger service between Upland and Camp Baldy	Granted	May 10, 1920
7559	5040	Horst and Burke and Hughes	The former to transfer stage line to latter, Chico-Butte City	Granted	May 10, 1920
7560	5610	Phillips and Valente and Stuermer	The former to transfer stage line to latter, San Rafael-Sonoma	Granted	May 10, 1920
7561	5634	Wm. W. Westcott	To operate passenger service between Coalinga and King City	Granted	May 10, 1920
7562	5649	Treiman and Young	The former to sell and latter to buy stage line, Groveland-Carlin	Granted	May 10, 1920
7563	5636	Frank Harker	To operate passenger service between Watsonville and Camp Goodall	Granted	May 10, 1920
7566	5112	Louis Lombardo	To operate freight service between Van Nuys and Los Angeles	Granted	May 10, 1920
7569	5169	Motor Transport Company	On rehearing to operate freight service, Fresno-Bakersfield-Los Angeles	Granted	May 13, 1920
7572	5044	Walter H. Rasin	To operate freight service between Monrovia-Los Angeles	Granted	May 13, 1920
7573	5642	Edmond Wilkinson	To operate passenger service between Bridgeville and Alter Point	Granted	May 13, 1920
7574	5657	C. E. Sansome	To operate passenger service, Oilfields, Kern County	Granted	May 13, 1920
7582	4799	C. N. Gaylord	To operate passenger and freight service between Turlock and Don Pedro	Granted	May 17, 1920
7584	5228	Fred E. Forbes	To operate passenger and freight service between King City and Jolon	Denied	May 17, 1920
7000	5354	C. W. Curphey	To operate freight service between Calipatria-El Centro-Calexico	Granted	May 18, 1920

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TABLE B. Auto Stage Applications.—(Continued.)

Dec. No.	Application No.	Applicant	Nature of application	Action	Date
7601	5549	A. B. Bland	To operate passenger service between Hopeville and Calexico	Granted	May 18, 1920
7606	5271	Mountain Express	To operate auto freight service between San Diego and Foster	Denied	May 24, 1920
7607	5240	C. E. Means	To operate freight and passenger service between San Diego and Warner Springs	Granted	May 24, 1920
7614	5651	E. B. and H. L. Dillingham	The former to transfer half interest in stage line to latter, Whittier-Long Beach	Granted	May 24, 1920
7622	5672	H. O. Martin	To operate passenger and freight service between Oroville and Merrimac	Granted	May 26, 1920
7623	5573	L. A. Bell Transfer Company	To operate freight service between Los Angeles and Arcadia	Granted	May 26, 1920
7624	5625	I. L. Hamilton	To operate freight service between Van Nuys and Owensmouth	Granted	May 26, 1920
7625	5690	S. S. Gillespie	To operate passenger service between Santa Maria and Betteravia	Granted	May 26, 1920
7626	5673	A. L. Longacre and Glenway Dietz	The former to transfer stage line to latter, Fresno-Clovis	Granted	May 26, 1920
7628	5648	Owens Valley Transfer, Storage and Packing Company	To operate passenger service between Lone Pine and Keeler	Granted	May 26, 1920
7635	5268	H. B. Lewis Transfer Company	To operate freight service between Inglewood and Los Angeles	Granted	May 27, 1920
7636	5490	Compton Transportation Company	To operate freight service between Huntington Park and Los Angeles	Denied	May 27, 1920
7638	5477	I. L. Pulliam	To operate passenger service between Los Angeles and Montebello	Granted	May 27, 1920
7642	5500	E. G. Stinson	To operate freight service between Orange and Los Angeles	Denied	May 27, 1920
7644	4469	Pickwick Stages N. D.	Petition for rehearing, Fillmore-El Rio	Denied	May 27, 1920
7646	5600	C. N. Clark	To operate freight service between Fresno and San Joaquin	Granted	May 27, 1920
7647	5346	Geo. Harm	To operate freight service between Fresno and Coalinga	Granted	May 27, 1920
7648	5192	Blabon and Cleveland	To operate passenger service between Fresno and Santa Cruz	Granted	May 27, 1920
7649	5459	Blythe S. Bell	To operate freight service between Los Angeles and Whittier	Denied	May 27, 1920

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7653	5711	Kenneth Fraser	To operate passenger and freight service between Pasadena and Arroyo Seco	Granted	June 1, 1920
7654	5716	Charles A. Tyler and C. W. Lewis	The former to transfer stage line, Etna Mills-Gazelle	Granted	June 1, 1920
7656	5504	O. R. Fuller	To operate alternative route, Los Angeles-Santa Ana	Granted	June 1, 1920
7658	5710	J. G. Gibbons, Walter Gasney	The former to transfer to latter, Westwood-Paynes Creek	Granted	June 1, 1920
7659	5721	Knox Bros. and J. K. Vanderhurst	The former to transfer to latter, Salinas-King City	Granted	June 1, 1920
7660	5460	Chas. E. Cohen	To operate passenger service, Pasadena-Long Beach	Granted	June 1, 1920
	5515	Horn and Painter			
7681	5686	L. L. Ellis	To operate passenger service between Alpaugh and Angiola	Granted	June 8, 1920
7682	5671	Thomas H. Campbell	To operate passenger and freight service between Weaverville and Peanut	Granted	June 8, 1920
7683	5712	John W. Reese	To operate passenger service between Pittsburg and Western Chemical Plant	Granted	June 8, 1920
7684	5749	T. C. Sedgwick	To abandon passenger service, Sacramento-Vacaville	Granted	June 8, 1920
7685	5583	J. H. Buick	To operate passenger and freight service, Redding-Round Mountain	Granted	June 8, 1920
7687	5739	Henry W. Bowen	To operate passenger and freight service, Marysville-LaPorte	Granted	June 8, 1920
7688	5737	V. E. Floyd and E. L. McConnell	The former to transfer rights to latter, San Luis Obispo-Santa Maria	Granted	June 8, 1920
7689	5685	H. M. Hunt and Waterman and Carne	The former to transfer stage line to latter, Los Angeles-Ventura	Granted	June 8, 1920
7690	5743	Louis Lombardo and Kazarian and Bogosian	The former to transfer, stage line to latter, Los Angeles-Van Nuys	Granted	June 8, 1920
7691	5746	G. and W. Stage Company	To extend service, San Jacinto to Soboba Hot Springs	Granted	June 8, 1920
7692	5520	Western Motor Transport Company	To operate passenger service, Vallejo-Cordelia	Granted	June 8, 1920
7694	5581	Paris P. Lawson	To operate freight service between Santa Rosa and Sausalito	Granted	June 8, 1920
7695	4634	Heeborian and Tatarian	To operate freight service between Downey and Los Angeles	Granted	June 8, 1920
	4636	W. M. Van Deusen			
7698	5717	Oakland-Newark Auto Stage Company	To operate passenger service between Winton Road and Mount Eden	Granted	June 8, 1920
7720	5504	O. R. Fuller	To operate over alternative route, Norwalk	Granted	June 16, 1920
7734	5432	Jamison and Fudge	To operate passenger service between Fresno and Auberry	Granted	June 16, 1920
7735	5564	W. D. Greer Stage Company	To operate passenger service between Lost Hills and Bakersfield	Granted	June 16, 1920

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TABLE B. Auto Stage Applications.—(Continued.)

Dec. No.	Application No.	Applicant	Nature of application	Action	Date
7737	5385	Cooley and Sansome	To operate passenger and freight service between Bakersfield and Maricopa	Denied	June 16, 1920
7742	4509	Joseph Miller	To operate passenger service, Coalinga-Lemoore	Granted	June 19, 1920
7743	4399	Graham and Davidson	To operate passenger service, Hanford-Tulare	Granted	June 19, 1920
7747	4420	Thomas Shaves	To operate passenger service between Sacramento and Nevada City	Denied	June 19, 1920
	4750	Interurban Transportation Company			
	4760	Interurban Transportation Company			
	5266	Raymond A. Davis			
	5301	John Champion			
	5364	Travelers Stage			
	5134	Arthur O. Smith	To operate passenger service between Auburn and Nevada City	Denied	June 19, 1920
	5298	Shaves and McFall	Same	Granted	June 19, 1920
7750	5486	F. C. Jewett	To operate passenger service, Bakersfield-Lost Hills	Granted	June 19, 1920
7751	5450	C. L. and H. Rhyne	To operate passenger service and freight, Fellows-McKittrick	Granted	June 19, 1920
7757	5539	W. C. Wilkinson	To operate passenger service, Merced-Mariposa	Denied	June 19, 1920
7758	5408	H. P. Christensen	To operate freight service, Santa Barbara-Los Olivos	Granted	June 19, 1920
7759	5552	E. B. Dillingham	To operate passenger service, Whittier-Pasadena	Denied	June 19, 1920
7760	5560	Western Truck Line	To operate freight service, Fresno-Lemoore	Granted	June 19, 1920
7761	5779	Paul Gatto	To operate freight service, Montague-Goose Neck Mountain	Granted	June 19, 1920
7762	5790	Heskett and Bledsoe	To operate freight service, San Jose-Hollister	Granted	June 19, 1920
7763	5791	R. E. Williams and R. D. Cregar	The former to transfer stage line to latter, San Jacinto-Idlewilde	Granted	June 19, 1920
7774	5697	Mike Lang	To operate freight service, Bakersfield-Maricopa	Granted	June 24, 1920
7783	5469	Walter Gosney	To operate passenger service, Red Bluff-Paynes Creek	Granted	June 24, 1920
7784	5395	Joe Besone	To operate freight service, Fellows-McKittrick and Taft-Maricopa	Granted	June 24, 1920
7786	5823	Geo. M. Duntley and Bakersfield-Los Angeles Fast Freight Company	The former authorized to transfer operative rights to latter	Granted	June 24, 1920
7787	5807	Steel and Steele and Roy Jakeway	The former to transfer to latter, San Diego-Oceanside	Granted	June 24, 1920
7788	5765	Ben W. Spagnoli	To operate passenger service, Concord-Avon	Granted	June 24, 1920
7790	5738	C. J. Graham	To operate passenger service, Lindsay-Hanford	Granted	June 24, 1920

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7791	4796	Trimmer Springs Stage Company	To operate passenger service, Sanger-Junction Camp	Granted	June 24, 1920
7792	5706	Ray Watkins and H. T. Campbell	The former to transfer to latter, San Jose-Mount Hamilton	Granted	June 24, 1920
7793	5835	K. Heeboran and Sam Kevorkiam	The former to transfer to latter, Los Angeles-Downey	Granted	June 24, 1920
7795	5162	Star Auto Stage Association and Geo. Weisner et al.	The former to transfer certain of its rights to the latter	Granted	June 24, 1920
7803	5678	Smyes and Zufall	To operate passenger service between Sausalito and Point Reyes	Granted	June 24, 1920
7827	5854	G. D. Curtis and A. W. Monk et al.	The former to transfer stage line to latter, San Jose-Los Gatos	Granted	July 9, 1920
7834	5176	Rife, Adkins and Clifford	Certificate passenger service, Long Beach	Granted	July 9, 1920
7835	5773	Mrs. H. A. Varro	To operate passenger service, Downey-Norwalk	Granted	July 9, 1920
7836	5868	Ekstrom and Wilcox	The former to transfer stage to latter, Santa Rosa-Calistoga	Granted	July 9, 1920
7837	5859	Epstein and Dickerson	To operate stage service, Hemet-Brawley	Granted	July 9, 1920
7839	5853	W. W. Van Duesen	To transfer stage line, Los Angeles-Downey	Granted	July 9, 1920
7844	5866	F. W. Carr and W. J. McKinley	The former to transfer to latter, Redlands-Banning	Granted	July 9, 1920
7846	5828	C. L. Whitlock	To operate passenger and freight service, Orland-Millsaps	Granted	July 9, 1920
7847	4518	Fred A. Minaker	To operate passenger service, Ducor-Porterville	Granted	July 9, 1920
7848	5878	R. Miller	To operate passenger service, Martinez-Potter Inn	Granted	July 9, 1920
7849	5865	Carr and Boyce	To transfer interest stage line, Redlands-Banning	Granted	July 9, 1920
7850	5864	Meketaroff and Arntoff	The former to transfer stage line to latter, Los Angeles-Moneta	Granted	July 9, 1920
7853	5847	Los Angeles and Santa Paula Daily Express	To transfer stage line to Mutual Trucking Company	Granted	July 9, 1920
7875	5546	K. E. and C. P. Hebenstriet	To operate freight service, Los Angeles-Long Beach	Denied	July 14, 1920
7887	5684	Orville E. Squire	To operate passenger and freight service, Willows-Bartlett Springs	Granted—partially	July 22, 1920
7888	5297 5845	Hy Nelson and Samuel Pinches	To operate passenger service, Willits-Garberville, Laytonville-Cummings	Granted	July 22, 1920
7889	5752	Pickwick Stages, N. D.	To operate passenger service, Somis-Ventura	Granted	July 22, 1920
7907	5542	Joseph Held	To operate passenger service, Oakland-Pacific Grove	Denied	July 26, 1920
7909	5863	Beverly Hills-Sherman Transfer Company	To increase freight rates	Granted	July 26, 1920
7910	5839	Flintridge Motor Company	To increase passenger fares, Pasadena-Flintridge	Granted	July 26, 1920
7913	4687	B. Hoyle	To discontinue passenger service, Merced-Los Banos	Granted	July 26, 1920
7914	5916	Western Motor Transport Company and W. P. Beauchamp	The former to purchase stage line of latter, Oakland-Centerville	Granted	July 26, 1920
7916	5861	Interurban Parcel Delivery Company	To transfer United Parcel service, San Francisco-East Bay points	Granted	July 26, 1920

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TABLE B. Auto Stage Applications.—(Continued.)

Dec. No.	Application No.	Applicant	Nature of application	Action	Date
7917	5922	W. D. Greer Stage Company	To operate passenger service, Lost Hills-Associated Camp	Granted	July 26, 1920
7918	5918	E. D. Brizzard	To transfer stage line to D. L. Zahner	Granted	July 26, 1920
7929	5536	Phillip Brocchini	To operate freight service, Davenport-San Francisco	Granted	July 29, 1920
7930	5827	J. J. Thornton	To operate freight service, Ukiah-Potter Valley	Granted	July 29, 1920
7931	4856	Sam Aronson	To grant passenger service, Lincoln-Roseville	Granted	July 29, 1920
7933	5817	Los Angeles-San Pedro Transfer Company	To operate over alternative route, Los Angeles-San Pedro	Granted	July 29, 1920
7939	5753	Willard and Harris	To operate freight service, Modesto-San Francisco	Denied	Aug. 2, 1920
7941	5802	Murray and Wilson	To operate freight service, Dixon-Alameda	Granted	Aug. 2, 1920
7942	5554	B. A. Gurnette	To operate freight service, San Francisco-San Jose	Denied	Aug. 2, 1920
7944	5628	Highway Transport Company	To operate freight service, San Francisco-San Jose	Granted	Aug. 2, 1920
7948	5883	Kephart and Stevenson	The former to transfer stage line to latter, Blythe-Riverside	Granted	Aug. 2, 1920
7949	5882	E. B. Stevenson—United Stages	Former to transfer stage line to latter, Riverside-Blythe	Granted	Aug. 2, 1920
7950	5913	Munter and Decker and Hoffman and Paolinelli	Former to transfer stage line to latter, Davenport-San Francisco	Denied	Aug. 2, 1920
7956	5952	A. A. Hosford	To operate passenger service, Woodside-Redwood City	Granted	Aug. 3, 1920
7959	5812	Owners Transfer Company	To operate freight service, San Francisco-San Jose	Granted	Aug. 5, 1920
7960	5387	E. C. Craig	To operate passenger service, Lompoc-Buell's Tavern	Granted	Aug. 5, 1920
7961	4826	E. C. Craig	To operate passenger service, Los Olivos-Santa Maria	Denied	Aug. 5, 1920
7963	5975	Miebach and Vadon	The former to transfer to latter, Cloverdale-Healdsburg	Granted	Aug. 5, 1920
7970	5062	Gillen and Miller	The former to transfer to latter, Visalia-Dinuba	Granted	Aug. 10, 1920
7971	5040	Mektaroff and Bozoff	The former to transfer to latter, Los Angeles-Moneta	Granted	Aug. 10, 1920
7972	5007	W. M. Beveridge	To transfer stage line, Gardena Junction to Laurel Canyon	Granted	Aug. 10, 1920
7973	5004	J. M. Parrish	To transfer stage line, Fresno-Cutler	Granted	Aug. 10, 1920
7974	5065	Woodward and Nissen	To transfer stage line, Oakland-San Jose	Granted	Aug. 10, 1920
7977	5034	Riel Dani	To transfer stage line, King City-Jolon	Granted	Aug. 10, 1920
7999	5995	M. L. Booth	To operate passenger and freight service, Boulder Creek-Redwood Park	Granted	Aug. 23, 1920

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8000	5939	M. J. Kent	To transfer stage line, San Pedro-Redondo Beach	Granted	Aug. 23, 1920
8001	5938	Brown and Follensbee	To transfer stage line, San Diego-El Centro	Granted	Aug. 23, 1920
8002	5929	Frank Reanier	To operate stage service, Redwood Park-Boulder Creek	Granted	Aug. 23, 1920
8017	4673 4571	Allen and Moyer	To operate passenger service, Fresno-Firebaugh and Firebaugh and Fresno-Dos Palos	Granted	Aug. 27, 1920
8018	5323	Reese and Moyer	To operate passenger service, Los Banos-Tracy	Granted	Aug. 27, 1920
8019	5891	E. J. Thompson	To increase rates, Fresno-Calwa-Kerman	Granted	Aug. 27, 1920
8022	6047	Jamison and Davies	Former to sell half interest in stage line to latter	Granted	Aug. 27, 1920
8024	6036	Lindstron and Holbrook	Former to transfer stage line to latter, Huntington Park-Cadaby	Granted	Aug. 27, 1920
8025	6038	Fuller-Peaball	Former to transfer stage line to latter, Los Angeles-Hynes	Granted	Aug. 27, 1920
8026	5836	Nelson and Barcia	To increase rates, San Luis Obispo-Avila	Granted	Aug. 27, 1920
8027	4542	Roy Ernest Stowe	To operate freight service between Sacramento-Walnut Grove	Granted	Aug. 27, 1920
8029	4767	Pickwick Stages	To operate stage service, Vista-Oceanside	Granted	Aug. 27, 1920
8030	5829	E. R. Speckter	To operate passenger service, Monte Rio-Santa Rosa	Granted	Aug. 27, 1920
8033	6024	Geo. L. Terry	To operate passenger and freight service, Descanso-Laguna Camp	Granted	Aug. 27, 1920
8034	5971	W. J. McKinley	To operate passenger service, Riverside-Banning	Granted	Aug. 27, 1920
8036	5688	C. E. Means	To operate passenger service, Los Angeles-Warner Hot Springs	Granted	Aug. 27, 1920
8037	5744	Richards Motor Express	To increase freight rates, Los Angeles-Long Beach	Granted	Aug. 27, 1920
8038	5819	E. H. Sprehn	To operate freight service between Los Angeles and Balboa	Granted	Aug. 27, 1920
8039	5946	Burke and Hughes	To operate passenger service, Butte City-Princeton	Granted	Aug. 27, 1920
8040	5900	James R. Morgan	To operate freight service, Los Angeles-Smeltzer	Granted	Aug. 27, 1920
8044	5788	Moore and Gibson	To operate freight service, El Centro-Holtville	Granted	Aug. 28, 1920
8050	5742	Haley and Mahoney	To operate passenger service between San Francisco and Pacific Grove	Partially granted	Sept. 1, 1920
8059	5724	McGann and Morgan	To increase freight rates between Los Angeles and Orange	Granted	Sept. 2, 1920
8060	5968	E. A. Kuy Kendall	To lease freight line to H. A. Rose et al., Los Angeles-Bakersfield	Denied	Sept. 2, 1920
8061	5973	E. A. Kuy Kendall	To change route, freight line, Los Angeles-Bakersfield	Denied	Sept. 2, 1920
8068	5529	City Transfer Van and Storage Company	To increase freight rates, Los Angeles-Long Beach	Granted	Sept. 2, 1920
8072	5578 5778	Hugh A. Boyle, et al.	To operate freight service between Sebastopol-Oakland-San Francisco	5578—Denied 5778—Granted	Sept. 2, 1920 Sept. 10, 1920
8085	5644	G. C. Scribner	To operate freight service between Visalia and Fresno	Denied	Sept. 13, 1920
8087	5873	B. and H. Transportation Company	To operate passenger service, Anaheim Road-Long Beach	Granted	Sept. 13, 1920
8087	5876	C. E. Means	To operate passenger service, Santa Ysabel-Brawley	Granted	Sept. 13, 1920

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TABLE B. Auto Stage Applications.—(Continued.)

Dec. No.	Application No.	Applicant	Nature of application	Action	Date
8091	6051	Swett and Figeroa	To transfer stage line to Western Motor Transportation Company, Los Banos-Tracy	Granted	Sept. 13, 1920
8101	5848	F. R. Watson	To transfer stage line to Mutual Trucking Corporation, Los Angeles-Santa Monica	Granted	Sept. 13, 1920
8104	5997	Adelanto Stage Company	To operate passenger service between Adelanto-San Bernardino	Granted	Sept. 16, 1920
8106	5914	Hamilton and Lusby	To operate passenger service, Pasadena-Pomona	Granted	Sept. 16, 1920
8107	5643	H. Frasher	To operate freight service, Fresno-Traver-Tulare	Denied	Sept. 16, 1920
8109	6099	Bay Cities Transportation Company	To sell operative rights to E. V. Rideout Company	Granted	Sept. 16, 1920
8110	5503	C. H. Anderson	To operate passenger and freight service Knights Landing-Sacramento	Denied	Sept. 16, 1920
8111	5846	J. P. Tucker	To operate freight service, Los Angeles-Somis	Denied	Sept. 16, 1920
8112	5813	Palmer and Marshall	To transfer operative rights to Sherman & Duncan	Granted	Sept. 16, 1920
8116	5967	Charles E. Cohen	To transfer operative rights, Pasadena-Long Beach	Denied	Sept. 16, 1920
8117	5757	Western Auto Stage Company	To transfer operative rights to F. A. Deister	Granted	Sept. 16, 1920
8118	6090	Jack Keith	To sell half interest in operative rights to M. H. Waterman	Granted	Sept. 16, 1920
8127	6030	John H. Dolan	To operate passenger service, Concord-Avon	Granted	Sept. 23, 1920
8129	6069	Cuddebeck-Wilkinson	The former to sell to latter, Bridgeville-Ruth	Granted	Sept. 23, 1920
8130	6077	Crabb-Morgan and Hagan	The former to sell to latter, Fresno-Kingsburg	Granted	Sept. 23, 1920
8131	6084	Charles Preston	To operate passenger and freight service, Maple Creek-Korbel	Granted	Sept. 23, 1920
8133	6113	Campbell-Roper	The former to sell to latter, San Jose-Mount Hamilton	Granted	Sept. 23, 1920
8134	6116	Star Auto Stage Association	To operate alternative route, Stockton-Modesto	Granted	Sept. 23, 1920
8135	6120	Rice-Cleaveland	The former to sell to latter, LosAngeles-Santa Monica	Granted	Sept. 23, 1920
8136	6125	B. and H. Transportation Company	To operate passenger service, Cherry Avenue-Long Beach	Granted	Sept. 23, 1920
8138	6130	Aronson-Palace	The former to sell to latter, Sacramento-Roseville-Lincoln	Granted	Sept. 23, 1920
8139	6131	Hawerth and Hather	The former to sell to latter, Bakersfield-Reward	Granted	Sept. 23, 1920
8147	5722	Harry M. Hunt	To operate passenger service, Ventura-Ojai	Granted	Sept. 24, 1920
8148	6081	Horn and Painter	To operate alternative route, Pasadena-Long Beach	Granted	Sept. 24, 1920
8152	6087	Pickwick Stages, N. D.	To increase rates, Los Angeles-San Francisco	Granted	Sept. 25, 1920
8155	5821	Marin Auto Transit Company	Annulling order authorizing issuance of stock	Denied	Sept. 25, 1920
8156	6072	Waterman and Keith	To operate passenger service, Santa Cruz-Redwood Park	Denied	Sept. 25, 1920

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8159	5893	B. and H. Transportation Company	To operate passenger service, Orange Avenue-Long Beach	Granted	Sept. 25, 1920
8161	6009	San Francisco-Santa Cruz Transportation Company	To operate freight service, San Francisco-Santa Cruz	Denied	Sept. 25, 1920
8165	5907	Adelanto Stage Company	Amending prior order, Adelanto-Victorville	Granted	Sept. 27, 1920
8169	5582	E. B. Brown	To operate passenger service, Los Angeles-Ojai	Denied	Oct. 1, 1920
8177	6155	Horn and Painter and Varro	The former to sell to latter, Pasadena-Long Beach	Granted	Oct. 1, 1920
8179	6147	Thomas Jensen	To operate passenger service, Coronado-Imperial Beach	Granted	Oct. 1, 1920
8180	5890	United Stages, Incorporated	To operate alternative route, Los Angeles-Santa Barbara	Granted	Oct. 1, 1920
8181	4468	Pickwick Stages, N. D.	To operate passenger service, Buells Flats-Lompoc	Granted	Oct. 1, 1920
8182	6098	Vallejo Bus Line	To discontinue service, Vallejo-Morrow Cove	Granted	Oct. 1, 1920
8183	5944	M. D. Levulett	To operate passenger service, Oroville-Lumpkin	Granted	Oct. 1, 1920
8184	5872	Crosby Stage Line	To increase rates, Santa Ana-Huntington Beach	Denied	Oct. 1, 1920
8185	5993	W. F. Whitcomb	To discontinue stage service	Granted	Oct. 1, 1920
8189	6144	Albert Braunzwerg	To operate passenger service, Los Angeles-Beverly Glenn	Granted	Oct. 1, 1920
8196	6159	Fowler and Hauk and Pimintel	The former to sell to latter, Sacramento-North Sacramento	Granted	Oct. 5, 1920
8201	6128	Marin Auto Transit Company	To abandon service, Sausalito-San Rafael	Granted	Oct. 5, 1920
8228	6012	Bay City Hauling Company	To operate freight service between Sunnyvale-San Francisco	Granted	Oct. 11, 1920
8230	6167	Randle and Beyerle	Former to sell interest to latter, Los Angeles-Temecula		Oct. 11, 1920
8231	5168	Star Auto Stage Company	Correcting former order as to territory served		Oct. 11, 1920
8235	6140	Melvin D. Savage	To operate contract freight service, San Francisco-Tracy	Granted	Oct. 11, 1920
8243	5977	E. G. Rice	To increase freight rates, Los Angeles-Long Beach	Granted	Oct. 15, 1920
8245	6048	M. I. Buick	To transfer stage line, Redding-Red River	Granted	Oct. 16, 1920
8250	6165	H. A. Wilson	To operate passenger service, Los Angeles-Universal City	Granted	Oct. 16, 1920
8252	6151	Mitchell and Chambers	Former to transfer stage line to latter, Los Angeles-San Antone Mesa	Granted	Oct. 16, 1920
8255	5317	J. Boshoff	To discontinue service during winter months, Santa Rosa-Jenner	Granted	Oct. 16, 1920
8256	6183	Filipponi-Magoria	Former to transfer stage line to latter, Cambria-San Luis Obispo	Granted	Oct. 16, 1920
8257	6181	Garner-Harper and Duncan	The former to transfer to latter, Los Angeles-Lancaster	Granted	Oct. 16, 1920
8265	6209	N. P. Sinnott	To operate passenger service between Felton and Felton Station	Granted	Oct. 25, 1920
8266	5742	Haley and Mahoney	Petition for rehearing	Denied	Oct. 25, 1920

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TABLE B. Auto Stage Applications.—(Continued.)

Dec. No.	Application No.	Applicant	Nature of application	Action	Date
8275	6110	Highway Transport Company	To operate freight service, San Jose-Mountain-View-Alviso	Granted	Oct. 25, 1920
8280	6040	Owners Transportation Company	To operate freight service, San Jose-Campbell-Agnew	Granted	Oct. 25, 1920
8283	5490	Compton Transportation Company	Petition for rehearing	Denied	Oct. 25, 1920
8288	6184	J. A. Haubrick	To operate passenger service between Tehachapi and Monolith	Granted	Oct. 27, 1920
8289	6198	Reed and Raggs	To transfer stage line to A. M. Myers, Long Beach-Los Angeles	Granted	Oct. 27, 1920
8290	6252	United Stages, Incorporated	To abandon stage rights, Los Angeles-San Diego	Granted	Oct. 28, 1920
8292	6232	C. N. and E. B. Thomas	To transfer half interest in stage line, Pomona-San Dimas	Granted	Oct. 28, 1920
8297	5582	C. D. Brown	Petition for rehearing	Denied	Oct. 28, 1920

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TABLE C. Dismissals (cases).

Dec. No.	Case No.	Litigants	Date
7389	1351	Re Sonoma Valley Water, Light and Power Company	April 8, 1920
7460	1436	Re Crown Water Company	April 21, 1920
7588	1315	Re B. H. Steffen, service of	May 17, 1920
7595	1421	Re Sacramento Valley West Side Canal Company, service of	May 17, 1920
7597	1380	Navilencia Chamber of Commerce vs. Reedley Telephone Co.	May 17, 1920
7360	1172	Eagle Rock Avenue Improvement Association vs. City of Eagle Rock	May 26, 1920
7703	1425	City of Richmond vs. San Francisco-Oakland Terminal Railways	June 8, 1920
7705	1304	Orangevale Water Company vs. North Fork Ditch Company	June 8, 1920
7724	1435	City of Davis vs. Davis Water Company	June 16, 1920
7726	1445	City of Brawley vs. Southern Pacific Company	June 16, 1920
7768	582	Yorba Linda Water Company vs. Pacific Electric Railway Co.	June 19, 1920
7800	1081	San Jose Water Works vs. Mary E. Saye et al.	June 24, 1920
7804	1377	Albert Arata vs. Pacific Gas and Electric Company	July 10, 1920
7866	1306	Re Great Western Power Company, rates	July 12, 1920
7871	1305	Re Pacific Gas and Electric Company, rates	July 12, 1920
7903	1454	Theodore H. Coke vs. Arroyo Ditch and Water Company	July 22, 1920
7915	1297	City of Berkeley vs. Pacific Gas and Electric Company	July 22, 1920
8067	1389	City of Richmond vs. Southern Pacific Company	Sept. 2, 1920
8140	1464	Frank A. Long vs. E. A. Lodge	Sept. 23, 1920
8141	1485	H. W. Glensor vs. Pacific Telephone and Telegraph Company	Sept. 23, 1920
8142	1486	J. R. Martin vs. J. H. Barnes	Sept. 23, 1920
8164	1387	Burton J. Neill vs. Wm. S. Van Hoosear	Sept. 27, 1920
8194	1467	R. H. Ramsey vs. Town of Fowler	Oct. 5, 1920
8198	1453	Anton Dos Reis vs. City of Vallejo	Oct. 5, 1920
8199	1154	S. H. Boynton vs. City of Los Angeles	Oct. 5, 1920
8200	1375	Re Charles E. Smith, service of	Oct. 5, 1920
8240	1438	Pacific Oil and Lead Company vs. East Bay Water Company	Oct. 15, 1920
8260	1169	Southern Sierras Power Company vs. City of Los Angeles	Oct. 21, 1920
8272	1469	Thousand Oaks Association vs. Spring Estate Company	Oct. 25, 1920
8273	1253	F. E. Bennett et al. vs. Midland Counties Public Service Corp'n.	Oct. 25, 1920
8294	1452	City of Petaluma vs. Petaluma Power and Water Company	Oct. 28, 1920

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TABLE D. Dismissals (applications).

Dec. No.	Application No.	Applicant	Nature of proceeding	Date
7345	4885	H. A. Webb	To operate stage service	April 3, 1920
7363	5393	W. F. Cruickshank	To operate stage service	April 3, 1920
7364	4486	B. L. and C. J. Knox	To operate stage service	April 3, 1920
7365	3735	Riverside County Gas and Power Company	To discontinue service	April 3, 1920
7368	5075	E. F. Brown	To operate auto freight service	April 3, 1920
7388	3580	Henry L. Warren	To operate stage service	April 8, 1920
7390	4812	Redondo Home Telephone Company	To continue federal rate schedules	April 8, 1920
7391	4820	Monrovia Telephone and Telegraph Company	To continue federal rate schedules	April 8, 1920
7392	4831	Home Telephone Company of Covina	To continue federal rate schedules	April 8, 1920
7396	4819	San Fernando Telephone and Telegraph Company	To continue federal rate schedules	April 8, 1920
7397	4814	Santa Monica Bay Home Telephone Company	To continue federal rate schedules	April 8, 1920
7398	4976	J. F. Brandt	To operate stage service	April 8, 1920
7400	4811	Pomona Valley Telephone and Telegraph Company	To continue federal rate schedules	April 8, 1920
7401	3692	A. A. Nipon	To operate stage service	April 8, 1920
7402	4952	Geo. L. Payne	To abandon water service	April 8, 1920
7410	5384	Horst, Buck and Hughes	To transfer stage line	April 9, 1920
7415	4916	Ventura County Truck Company	To operate stage line	April 9, 1920
7417	3842	John J. Haygoo	To operate stage service	April 9, 1920
7423	4361	A. B. Bland	To operate stage service	April 12, 1920
7451	3560	J. L. Pinkston	To operate stage service	April 19, 1920
7454	5233	George A. Scott	To operate stage service	April 21, 1920
7455	5232	George Mari	To operate stage service	April 21, 1920
7456	5489	Walter Techaw	To operate stage service	April 21, 1920
7463	5055	D. H. Waite	To operate stage service	April 21, 1920
7469	4584	Garry G. Layman	To operate stage service	April 26, 1920
7476	4285	Pledger and Harris	To operate stage service	April 26, 1920
7485	4435	A. C. Beeson and Son	To operate stage service	April 26, 1920
7516	4031	G. F. Fowler	To operate stage service	April 30, 1920
7517	4444	Hayward and Wright	To operate stage service	April 30, 1920
7518	5335	B. M. Jones	To increase water rates	April 30, 1920
7564	5076	Albert Garcia	To operate stage service	May 10, 1920
7591	5238	Mountain Express	To operate stage service	May 17, 1920
7603	5122	Culy and Canning Truck Company	To operate stage service	May 18, 1920
7613	5497	Jacobs and Kettenbery	To transfer stage line	May 24, 1920
7632	5360	M. Haydis	To operate stage service	May 26, 1920
7633	4377	J. A. Bristol	To operate stage service	May 26, 1920
7655	5455	T. C. Sedgwick	To operate stage service	June 1, 1920
7696	3575	D. C. Polkinghorne	To operate stage service	June 8, 1920
7697	4974	Marcus Nielson	To operate stage service	June 8, 1920
7702	5532	R. A. McMinn	To operate stage service	June 8, 1920
7704	5595	G. M. Alexander	To operate stage service	June 8, 1920
7730	5160	Standard Truck Company	To operate stage service	June 16, 1920
7731	4477	Hoover and Holland	To operate stage service	June 16, 1920
7733	3568	George Cary	To operate stage service	June 16, 1920
7738	5026	John Oldenziel	To operate stage service	June 16, 1920

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7764	5419	Sacramento Northern Railroad	To operate stage service	June 19, 1920
7765	5418	Sacramento Northern Railroad	To operate stage service	June 19, 1920
7766	5357	Max G. Heise, et al.,	To operate stage service	June 19, 1920
7767	5340	L. E. Gunter	To operate stage service	June 19, 1920
7777	5282	Pacific Gas and Electric Company	To establish meter rates—Stockton	June 24, 1920
7799	4940	Sacramento Northern Railroad	To abandon street car service	June 29, 1920
7845	5407	Elmer Boone	To operate stage service	July 9, 1920
7867	4360	Pacific Gas and Electric Company	To increase electric rates	July 12, 1920
7869	4454	Pacific Gas and Electric Company	To increase electric rates	July 12, 1920
7870	5698	United Motor Freight and Express Line	To operate stage service	July 12, 1920
7922	5685	J. M. Reese	To operate stage service	July 26, 1920
7923	4403	Pacific Electric Railway Company	To increase passenger rates	July 26, 1920
7924	4407	Pacific Electric Railway Company	To increase passenger rates	July 26, 1920
7925	5695	S. C. Ramage	To operate stage service	July 28, 1920
7952	3460	Great Western Power Company	To increase rates	Aug. 2, 1920
7953	3459	Pacific Gas and Electric Company	To increase electric rates	Aug. 2, 1920
7954	5559	Webb and O'Neil	To operate stage service	Aug. 2, 1920
7955	5833	Gallagher and Fitzgerald	To transfer water plant	Aug. 2, 1920
7966	5736	Mrs. G. Guerra	To transfer telephone system	Aug. 5, 1920
7980	5007	S. F. Del Monte Rapid Transportation Company	To operate stage service	Aug. 10, 1920
7981	5986	Imperial Ice and Development Company	To amend G. O. No. 26	Aug. 10, 1920
7994	5434	City Transfer Company	To operate stage line	Aug. 23, 1920
7995	4780	P. S. Moreno	To operate stage line	Aug. 23, 1920
8063	6035	San Joaquin Light and Power Corporation	To construct grade crossing	Sept. 2, 1920
8095	5689	C. E. Means	To operate stage line	Sept. 13, 1920
8096	5851	F. F. Corrington	To operate stage service	Sept. 13, 1920
8097	6042	Western Motor Transportation Company	To lease stage line	Sept. 13, 1920
8108	5424	John Drake	To operate stage service	Sept. 16, 1920
8190	5259	Wasco Telephone Company	To issue stock	Oct. 1, 1920
8191	5774	Ben Stevens	To operate stage service	Oct. 1, 1920
8192	5750	Pickwick Stages, N. D.	To operate stage service	Oct 1, 1920
8193	5844	J. Boshoff and H. E. Ekstrom	To transfer stage line	Oct. 1, 1920
8197	4157	Roseville Water Company	To increase rates	Oct. 5, 1920
8232	5650	Eugene Shea	To operate stage service	Oct. 11, 1920
8233	6091	Harry Kreiger	To operate stage service	Oct. 11, 1920
8236	5660	F. W. Wagner	To operate stage service	Oct. 13 1920
8246	6150	Hunt and Thompson	To operate stage service	Oct 16, 1920
8247	5659	Antone Gomes	To operate stage service	Oct. 16, 1920
8248	6103	Joseph Miller	To operate stage service	Oct. 16, 1920
8251	5769	Silver State Transportation Company	To operate stage service	Oct. 16, 1920
8253	5927	Heise, Barber and Schang	To operate stage service	Oct. 16, 1920
8254	5981	Town of Tehachapi	To establish electric rates	Oct. 16, 1920
8262	5380	Swett and Figeroa	To transfer stage line	Oct. 20, 1920
8263	5388	Miller and Jobes	To operate stage service	Sept. 20, 1920
8269	5676	Fair Oaks Service Company	To operate stage service	Oct. 25, 1920
8270	4540	Brown and Chase	To operate stage service	Oct. 25, 1920
8300	5108	A. B. Bland	To operate stage service	Oct. 29, 1920
8301	5951	Hollis Hirons	To operate stage service	Oct. 29, 1920

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TABLE E. Grade Crossings.

Dec. No.	Application No.	Applicant	Location	Action	Date
7339	5463	Southern Pacific Company	San Leandro	Granted	April 3, 1920
7421	5493	Pacific Electric Railway Company	Los Angeles County	Granted	April 12, 1920
7440	5456	County of Napa	Union	Granted	April 19, 1920
7457	5580	Atchison, Topeka and Santa Fe Railway	Redondo Beach	Granted	April 21, 1920
7458	5558	Atchison, Topeka and Santa Fe Railway	Stockton	Granted	April 21, 1920
7464	5556	Southern Pacific Company	Stockton	Granted	April 21, 1920
7471	5466	County of Los Angeles	Hobart	Granted	April 26, 1920
7473	5580	Southern Pacific Company	Santa Cruz	Granted	April 26, 1920
7474	5592	Atchison, Topeka and Santa Fe Railway	Visalia	Granted	April 26, 1920
7475	5527	Pacific Electric Railway Company	Long Beach	Granted	April 26, 1920
7477	5615	Atchison, Topeka and Santa Fe Railway	Bakersfield	Granted	April 26, 1920
7478	5619	Southern Pacific Company	San Francisco	Granted	April 26, 1920
7479	5616	Atchison, Topeka and Santa Fe Railway	Hanford	Granted	April 26, 1920
7514	5613	Southern Pacific Company	Glenn	Granted	April 30, 1920
7519	5635	Atchison, Topeka and Santa Fe Railway	Bakersfield	Granted	April 30, 1920
7592	5674	South San Francisco Belt Railway	South San Francisco	Granted	May 17, 1920
7610	5682	City of San Diego	San Diego	Granted	May 24, 1920
7611	5699	Southern Pacific Company	Hamilton	Granted	May 24, 1920
7612	5714	Atchison, Topeka and Santa Fe Railway	Andrews	Granted	May 24, 1920
7627	5614	Minkler Southern Railway Company	Kern County	Granted	May 26, 1920
7629	5696	Humboldt Northern Railway Company	Fieldbrook	Granted	May 26, 1920
7667	5646	County of Kern	McFarland	Granted	June 8, 1920
7668	5516	County of Kern	Shafter	Granted	June 8, 1920
7669	5632	County of Kern	Wasco	Granted	June 8, 1920
7674	5633	County of Kern	Shafter	Granted	June 8, 1920
7676	5645	County of Kern	Pond	Granted	June 8, 1920
7693	5725	Southern Pacific Company	Anaheim	Granted	June 8, 1920
7721	5771	San Diego and Arizona Railway	San Diego	Granted	June 16, 1920
7723	5814	Atchison, Topeka and Santa Fe Railway	Parlier	Granted	June 16, 1920
7725	5799	Northwestern Pacific Railroad Company	Santa Rosa	Granted	June 16, 1920
7727	5590	Southern Pacific Company	Armona	Granted	June 16, 1920
7729	5794	San Diego and Arizona Railway	San Diego	Granted	June 16, 1920
7782	5787	Western Pacific Railroad Company	Oakland	Granted	June 16, 1920
7771	5462	County of Merced	Merced County	Denied	June 21, 1920
7781	5193	County of Kern	Wasco	Granted	June 24, 1920
7782	5445	County of Merced	Lingard	Denied	June 24, 1920
7789	5700	Pacific Electric Railway Company	Long Beach	Granted	June 24, 1920
7794	5850	Atchison, Topeka and Santa Fe Railway	Los Angeles	Granted	June 24, 1920
7842	5858	Atchison, Topeka and Santa Fe Railway	Minkler	Granted	July 9, 1920
7843	5869	San Diego and Arizona Railway	San Diego	Granted	July 9, 1920
7849	5784	City Railway Company of Los Angeles	Los Angeles	Granted	July 10, 1920
7861	5862	San Diego Electric Railway	San Diego	Granted	July 10, 1920

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7862	2861	**County of Contra Costa**	Pittsburg	Granted	July 10, 1920
7863	5681	**County of Kern**	Kern County	Granted	July 10, 1920
7901	5701	**County of Ventura**	Fillmore	Granted	July 22, 1920
7902	5740	**County of Los Angeles**	Vincent	Granted	July 22, 1920
7911	5647	**City of Taft**	Taft	Granted	July 26, 1920
7912	5396	**County of Fresno**	Del Rey	Denied	July 26, 1920
7932	5704	County of Los Angeles	Fruitland	Granted	July 29, 1920
7934	5764	County of Los Angeles	South Park	Granted	July 29, 1920
7935	5805	Atchison, Topeka and Santa Fe Railway	Fresno	Granted	July 29, 1920
7962	5945	Northwestern Pacific Railroad Company	Tyrone	Granted	Aug. 5, 1920
7964	5961	Western Pacific Railroad Company	San Leandro	Granted	Aug. 5, 1920
7969	5935	Atchison, Topeka and Santa Fe Railway	Los Angeles	Granted	Aug. 10, 1920
7991	5852	County of Merced	Merced County	Granted	Aug. 23, 1920
7991	5852	County of Merced			
7991	5974	County of Merced			
7992	5886	Pacific Electric Railway	Long Beach	Granted	Aug. 23, 1920
7996	5980	Southern Pacific Company	Modesto	Granted	Aug. 23, 1920
7997	6034	Southern Pacific Company	Stockton	Granted	Aug. 23, 1920
8053	4447	City of Richmond	Richmond	Denied	Sept. 2, 1920
8062	6025	Pacific Electric Railway Company	Los Angeles	Granted	Sept. 2, 1920
8064	6055	Atchison, Topeka and Santa Fe Railway	Hanford	Granted	Sept. 2, 1920
8065	6005	Southern Pacific Company	Monterey	Granted	Sept. 2, 1920
8066	6007	Southern Pacific Company	Oil Junction	Granted	Sept. 2, 1920
8088	5874	County of Los Angeles	Slauson Avenue	Granted	Sept. 13, 1920
8093	6093	Southern Pacific Company	Santa Cruz	Granted	Sept. 13, 1920
8094	6097	Atchison, Topeka and Santa Fe Railway	Fresno	Granted	Sept. 13, 1920
8115	6104	Southern Pacific Company	Kern County	Granted	Sept. 16, 1920
8126	5875	County of Madera	Brenda	Granted	Sept. 23, 1920
8128	6056	Town of Emeryville	Emeryville	Granted	Sept. 23, 1920
8132	6105	Tidewater Southern Railway	Modesto	Granted	Sept. 23, 1920
8137	6126	Southern Pacific Company	Imperial	Granted	Sept. 23, 1920
8143	5950	City of Oakland	Oakland	Granted	Sept. 24, 1920
8154	5763	County of Kern	Kern County	Denied	Sept. 25, 1920
8166	6148	Southern Pacific Company	Heber	Granted	Sept. 27, 1920
8171	5783	County of San Joaquin	Ripon	Denied	Oct. 1, 1920
8176	6141	Southern Pacific Company	Madera	Granted	Oct. 1, 1920
8203	6132	City of Stockton	Stockton	Granted	Oct. 6, 1920
8214	4446	City of Richmond	Richmond	[1]	Oct. 8, 1920
8218	5992	County of San Bernardino	Mecca	Granted	Oct. 11, 1920
8224	5998	City of Bakersfield	Bakersfield	Granted	Oct. 11, 1920
8234	6014	County of San Joaquin	Oxford	Denied	Oct. 11, 1920
8271	6228	Southern Pacific Company	Astors	Granted	Oct. 25, 1920
8276	5896	City of Delano	Delano	Granted	Oct. 25, 1920
8287	6127	County of Butte	Durham	Granted	Oct. 27, 1920

[1] Making type of construction optional.

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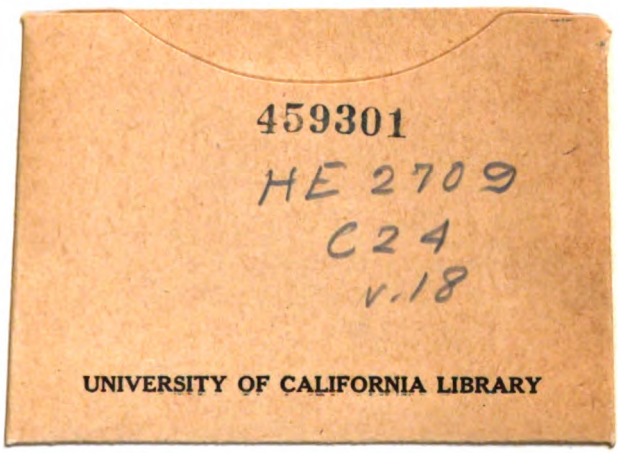
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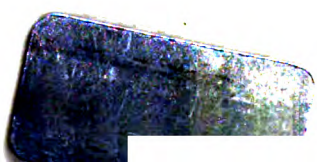

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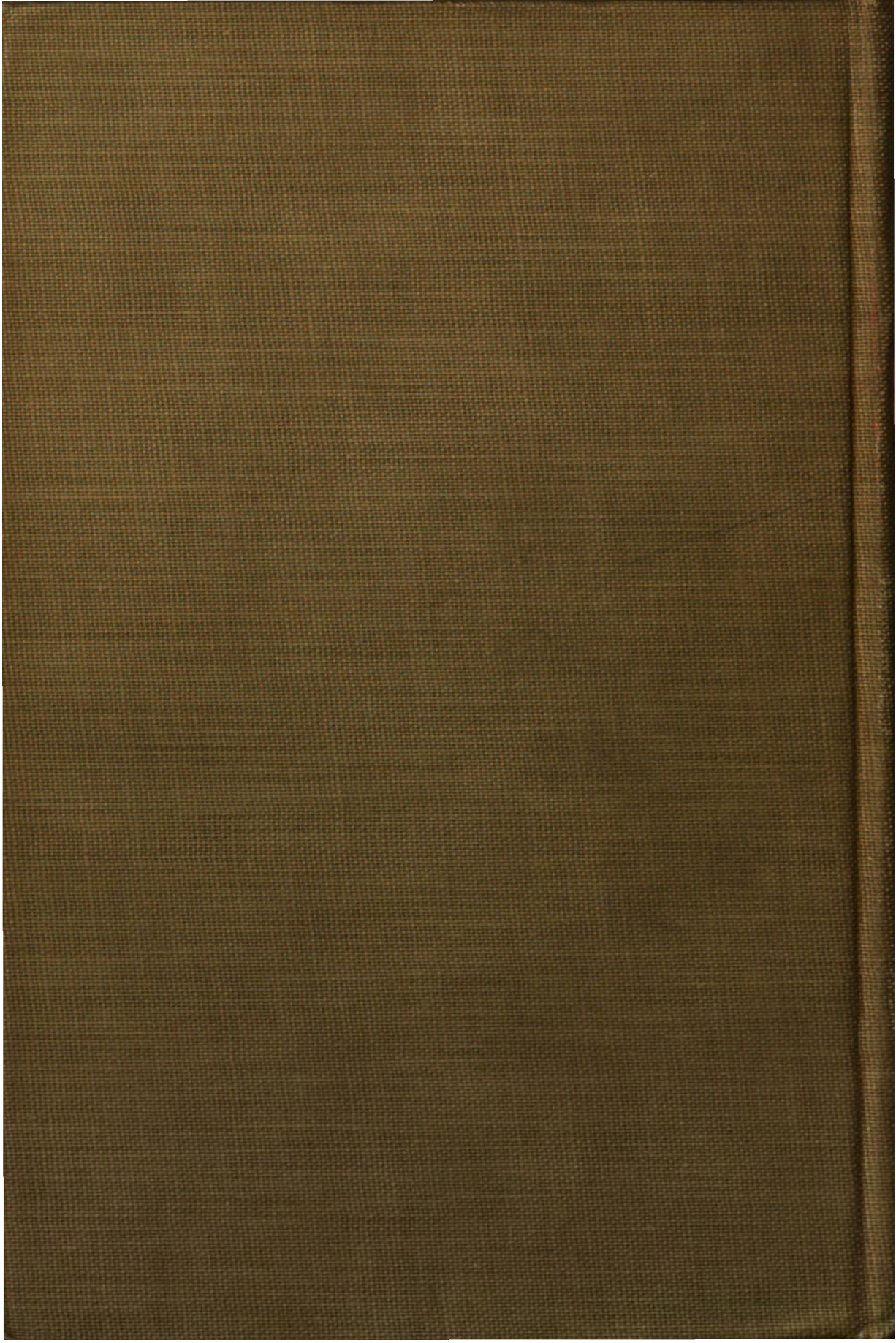

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